NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

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analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

- NRA Publishes *Market Research For The Restaurateur*
- Increase In Number Of Working Women Has Been Beneficial To The Restaurant Industry
- NRA's Market Research Group Discusses Role Of Market Research In Restaurant Planning
- CREST Report: Customer Traffic Declines 6.1 Percent In Winter Quarter
- Wholesale Food Prices Begin Rising

NRA PUBLISHES *MARKET RESEARCH FOR THE RESTAURATEUR*

One of the greatest needs of restaurant operators and managers today is to have adequate, accurate and current information on which to base decisions concerning the marketing of their menu items and their restaurant concept. In order to help operators develop and collect this information, the National Restaurant Association has published a book entitled *Market Research For The Restaurateur*. This publication is a practical handbook that shows the non-professional how to do enough market research to assist in making operational and promotional decisions and to do it in a professional and unbiased manner.

The Handbook contains step-by-step approaches to doing many types of market research, based on sound principles that have been adapted to meet the specific situations and needs of restaurateurs. Numerous examples are given to aid the operator in understanding the use and application of each research method. Included are sample questionnaires and analysis forms that can be easily duplicated when operators embark on a specific type of market research.

NRA's *Market Research For The Restaurateur* encompasses six chapters, each detailing the why and the how to of a specific research technique. These chapters are as follows:

CHAPTER ONE	The Basics of Market Research
CHAPTER TWO	Sales Records As A Basic Market Research Tool
CHAPTER THREE	How To Use Customer Comment Cards To Determine Who Your Customers Are
CHAPTER FOUR	Analyzing Your Trading Area Or Potential Trading Area
CHAPTER FIVE	Evaluating Customer Perceptions Of Your Restaurant
CHAPTER SIX	How To Conduct A Competitive Analysis

The National Restaurant Association's new *Market Research For The Restaurateur* will be available for sale in late May. Interested persons wishing to order this publication should contact NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001 or call toll free, 800-424-5156. Members should specify order number CS-200 and non-members should specify order number CS-201 when ordering *Market Research For The Restaurateur*.

INCREASE IN NUMBER OF WORKING WOMEN HAS BEEN BENEFICIAL TO RESTAURANT INDUSTRY

Increases in the number of working women during the past decade have resulted in changing family lifestyles that have been beneficial to the restaurant industry. The restaurant industry has benefited because families with working wives tend to eat out more frequently and spend more money at each meal occasion than families where the wife is not employed. Changes related to working women were particularly pronounced in the Seventies as the number of females in the labor force increased 42 percent, or a 3.5 percent annual rate between 1970 and 1980.

Although the number of women participating in the labor force is expected to continue to increase in this decade, the rate of growth will be slower than in the past ten years. The number of women 16 years of age and older in the labor force is projected to increase at an annual rate of 2 percent between 1980 and 1995 to a total of 59,931,000. (The Bureau of Labor Statistics has

made three employment projections, high, medium and low. The figures for medium growth are used in this report.)

Increased participation of women in the work force can be attributed to two major factors. First, the aging of the World War II "baby boom" generation resulted in a surge in the numbers in the work force. Second, many married women are now choosing to work outside of the home, due either to personal preference or economic need. Whatever the reason for entering the labor force, changes have resulted which are evident throughout the economy.

Relative Convenience of Preparing Meals at Home by Female Employment Status

	Employed Full Time	Not Employed
Very Convenient	14.6%	26.9%
Somewhat Convenient	19.4%	20.9%
Not Very Convenient	20.2%	15.7%
Not At All Convenient	39.1%	32.1%

SOURCE: *Gallup Eating Away from Home Monitor, June 1980*

Working Women Find Eating Out More Convenient Than Cooking at Home

The restaurant history is one area where these changes are most apparent. The lifestyle of a family changes when married women enter the labor force. These women look for easier and more convenient ways to prepare meals and eating out is often a logical choice. A question in the June 1980 Gallup "Eating Away From Home Monitor" asked "How convenient would it have been for you to have prepared the meal (that was eaten out) at home?" Thirty-nine percent of the employed females surveyed indicated it would not have been convenient at all to have prepared the meal at home versus thirty-two percent of those females who were not employed. Only fourteen percent of the employed females surveyed indicated it would have been very convenient compared to 27 percent of the females that were not employed. (See accompanying table.)

A special CREST study done for the NRA in 1978 found that family income level and employment status of the wife are primary determinants of eating out behavior. The report revealed that families with an employed wife and income over $20,000 spend 15.4 percent more per meal occasion than those where the wife is not employed. Families with an employed wife have both a greater tendency to be part of the eating out market and eat out more frequently, especially for the evening meal. (See accompanying chart.) *Roper Reports* research studies also confirm these findings that working women eat out more often and spend more per occasion than women in general.

Families with working wives tend to be more affluent, and this is reflected in the larger check size. The meal where this difference was most pronounced was supper with a per person check size of $2.77 for families with a working wife compared to $2.57 for families where the wife did not work.

This may have a positive affect on restaurant sales as supper is the meal occasion where families are willing to spend more. Also, as married women continue to enter the labor force, more families will probably be dining out for the evening meal.

Eating Out Behavior of Families With Working and Non-Working Wives

Per Person Check Size

	Working	Non-Working
Breakfast	$1.49	$1.39
Lunch	$1.76	$1.69
Supper	$2.77	$2.57
Weekends	$2.16	$1.95

Visit Frequency[1]

	Working	Non-Working
Breakfast	4.8	4.7
Lunch	15.5	12.7
Supper	10.9	9.1
Weekends	14.5	12.6

Family Reach[2]

	Working	Non-Working
Breakfast	39.4%	32.8%
Lunch	85.5%	80.2%
Supper	87.9%	78.2%
Weekends	91.4%	84.0%

[1]Visit Frequency is the Number of Times a Restaurant Patron Family Eats Out
[2]Family Reach is the Percent of Total Families that Eat Out
SOURCE: *Crest, Average 8 Week Period*

Two-Income Families Account for Almost One Half of Dollars Spent on Eating Out

The number of married women participating in the labor force increased almost 30 percent between 1970 and 1978, and accounted for 55.5 percent of the total female labor force. More than half, 51.5 percent, of the total number of husband-wife families had both part-

ners participating in the labor force in 1978 up from 46 percent in 1970. The median income for this family type totaled $25,289 in 1979 compared to $18,915 for families where the husband was the sole wage earner. (See accompanying chart.)

These more affluent, two-income families comprise a large proportion of families that eat out and provide a large source of revenue to the restaurant industry. A CREST study completed in 1978 found that 47 percent of the dollars spent on eating out are from this income bracket. Families with working wives probably will become even more affluent in the future as the female partner acquires the necessary education and skills to move into higher paying jobs. Women comprised 43.3 percent of the workers in professional and technical fields in 1979, up slightly from 40 percent in 1970. This may mean even greater visit frequency and increased penetration for these families in the future, as their income and career demands rise.

1979 Median Family Income

	Median Income
One Earner, Total	$18,137
Husband Only	$18,915
Wife Only	$12,551
Other Relative Only	$17,057
Two Earners, Total	$25,613
Husband and Wife Only	$25,289
Husband and Other Relative Only	$29,124
Husband is Nonearner	$19,429

SOURCE: *Bureau of Labor Statistics*

NRA FOODSERVICE TRENDS

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Single Working Women Important Source of Industry Sales

The participation rate, percent of the population that is in the labor force, for women is highest for those 20 to 24 years of age. The 69 percent rate in 1980 is up from 58 percent in 1970 as more women are postponing marriage and entering the labor force. Also, more women have attained higher education levels and are increasing their propensity to participate in the labor force. The trend is expected to continue as the participation rate for those 20 to 24 is projected to be 79.5 percent in 1995.

In 1979 never-married women accounted for 26 percent of the total female labor force, up from 22 percent in 1970. While they are smaller in number than married working women (26 percent of the total female labor force versus 55.5 percent) they are very important to the restaurateur. Singles tend to eat out more often because they find it easier and more convenient than cooking for one. In a 1980 CREST survey on singles, including both women and men, it was found that single persons account for 24 percent of restaurant sales and 20 percent of the customer traffic. (See February 1981 *Foodservice Trends*.)

Female Labor Force Participation Rates, 1970-1995

	1970	1980	Projected 1995
Women, 16 Years and Over	43.3%	51.5%	61.5%
16 to 19 Years	44.0%	52.5%	66.3%
20 to 24 Years	57.7%	69.4%	79.5%
25 to 54 Years	50.1%	64.1%	78.0%
55 and Over	25.3%	22.2%	20.2%

SOURCE: *Bureau of Labor Statistics*

Working Women Provide Restaurateurs With a Growth Market

Once women have entered the labor force they most likely intend to stay. Seventy-eight percent of the female population 25 to 54 years of age is projected to be in the labor force in 1995, up from 64 percent in 1980 and from only 50 percent in 1970.

Working women provide the restaurateur with a new area to target his advertising dollars. As career demands increase for women, husbands will take on more household responsibilities such as meal preparation and planning. Eating out may be chosen often because it is easier and more convenient than preparing a meal at home, and the restaurant they visit may be the result of advertising focused toward these two income families. These family types and their income will continue to increase in the future, providing an excellent growth market for the restaurant industry.

NRA's MARKET RESEARCH GROUP DISCUSSES ROLE OF MARKET RESEARCH IN RESTAURANT PLANNING

Members of the National Restaurant Association's Market Research Group met in Dallas in late March to discuss the role of market research in restaurant planning. Attendees at the meeting were privileged to hear from three industry experts who presented their own views on emerging industry trends. These experts included:

- Robert L. Emerson, Financial Analyst and Manager, Fred Alger and Company, Inc., and author of *Fast Food—The Endless Shakeout.*
- Leonard Wood, Executive Vice President, The Gallup Organization.
- William C. Hale, Principal Associate, Technomic Consultants.

We believe that many readers will find the following summary of these speakers' remarks of interest.

Bob Emerson Sees Industry's Growth Slowing From Record Gains Made in the Seventies

Bob Emerson presented the Market Research Group with his thoughts on where the restaurant industry would be going during the Eighties, with primary emphasis on restaurant chains. He sees some ominous signs for the industry, including declining profitability and a reluctance to open new units. Because of this, Emerson believes that the growth of the industry will slow significantly from the record levels of the mid-Seventies. However, he does foresee an optimistic note for the industry in this decade. He thinks the industry has the ability to diversify into other kinds of service related businesses which have the same fragmented market structure as our industry.

Emerson stated that there are a few demographic trends which would impact the restaurant industry during this decade. He specifically concentrated on the growing 25 to 34 age group with its growing affluence due to increasing numbers of two income families. This group "knows how to eat out" and is used to eating out. Emerson believes that the mid to upper priced restaurants will be the primary beneficiaries of this age segment; however, independent dinner house restaurants may be able to benefit more from this trend than will chain dinner houses. The reason for this is because there is consumer price resistance to spending $8 to $12 per person at a chain restaurant.

Menu expansion by restaurant chains was also discussed by Emerson. He stated that the most successful chains in the Seventies were those which had "spartan" or simple menus. New products developed by restaurants were usually preceded by a drop in profitability or traffic and were developed to attract more patrons. Emerson cautioned the industry that expansion of menus can cause operating inefficiencies and can possibly confuse customers. In addition, he stated that restaurants usually focus only on the initial success of a new menu item and that often, in the long run, these items are not successful.

Emerson sees foreign unit expansion as a means for increasing profits and sales for restaurant companies. He believes that many opportunities exist for chains which are now involved or plan to be involved in foreign expansion. Emerson stated that most firms use licensing agreements when dealing with overseas expansion, and this usually minimizes the risk of failure.

In summary, Emerson believes that some optimism for the restaurant industry's future does exist. He feels that the industry should view itself as one which knows how to run a highly fragmented, inexpensive, quick service business. In addition, the restaurant industry must capitalize on its strengths:

- Talented and experienced management
- Excellent site selection capabilities
- Availability of capital which creates opportunities for expansion

Len Wood Discusses Emerging Trends Expected to Impact the Restaurant Industry

Len Wood of the Gallup Organization presented extensive information on emerging consumer trends which are expected to impact the restaurant industry during this decade. The information was based on Gallup's "Monthly Monitor of Eating Out" as well as other consumer research done by the organization. Wood stated that in the Sixties and the Seventies the industry was primarily interested in demographic trends and what they mean to the restaurant industry. In the Eighties, Wood believes, demographic trends will still be important, but the real emphasis will be on changing attitudes.

The Gallup "Monthly Monitor" has indicated that there is increasing concern on the part of consumers with the relationship between diet and health. Consumers appear to be interested in cholesterol, sugar and salt content and in food additives as well as nutrition. Wood thinks this has led to three things:

(Continued on page 9)

NATIONAL RESTAURANT ASSOCIATION

CREST REPORT

Quarterly Supplement To
Foodservice Trends
May, 1981

CREST Highlights

- **Customer Traffic declined 6.1 percent in the Winter Quarter from the same period last year, compared to a 1.4 percent increase in the Fall Quarter.**
- **Families decreased their frequency of eating out, with sharp cutbacks at coffee shops and take out restaurants.**
- **Industry sales rose only 1.8 percent in the Winter Quarter, versus a considerably larger 9.8 percent increase in the Fall Quarter.**
- **Promotional usage reached an all-time high in the Winter Quarter, with 10.3 percent of the meal occasions involving a promotion versus 8.7 percent of the occasions last winter.**
- **Traffic counts were off 4.3 percent at fast food restaurants and 1.5 percent at family restaurants in the Winter Quarter.**
- **Breakfast traffic fell 2.1 percent in the Winter Quarter from the same period in 1980, following five consecutive quarters of traffic gains.**

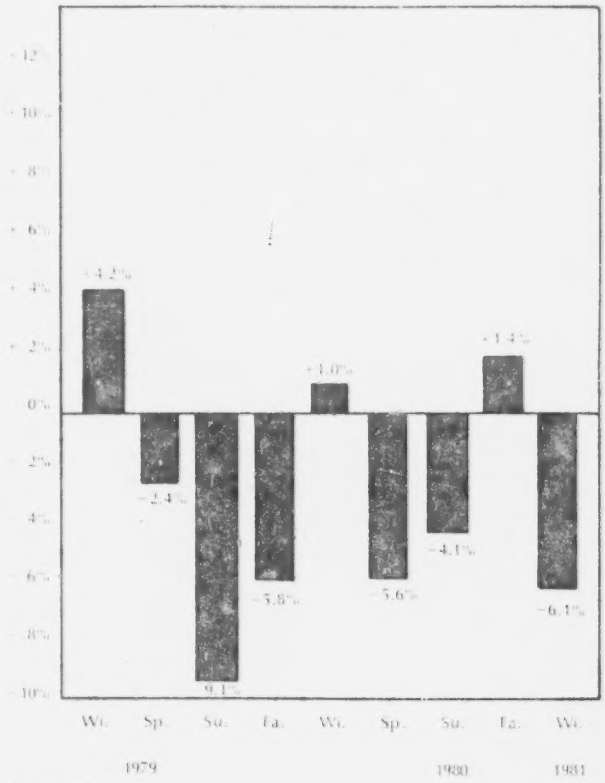
Customer Traffic Declines 6.1 Percent in Winter Quarter

Restaurant customer traffic declined in the Winter Quarter (December, January, February) despite signs of improvement in the economy. According to CREST information, traffic fell 6.1 percent from the same period a year earlier following an increase of 1.4 percent in the Fall Quarter. Although customer counts have been depressed since the disastrous Summer Quarter of 1979 when traffic dropped 9.1 percent, the rate of decline has steadily improved. (See accompanying chart.) In fact, after the traffic gain in the Fall, many believed that the industry was recovering from its downturn. The decline in the most recent quarter, however, suggests that the industry is still vulnerable to external economic pressures such as rapid increases in gasoline prices and continued pressures on consumers' disposable income.

Food away from home prices increased at a slower rate than food at home prices in the Winter Quarter, 9.8 percent versus 10.6 percent. In the past this has seemed to give restaurants a competitive advantage and consumers have increased their restaurant visits. This was not the case in the most recent quarter, as evidenced by the 6.1 percent decline in customer counts. One reason consumers curtailed their restaurant visits may have been due to a pinch on discretionary income as a result of the large increase in gasoline prices coupled with large heating bills in the Winter Quarter. Gasoline prices increased 10 percent as a result of the lifting of price controls on domestically produced oil. Given no surprises by OPEC, gasoline prices are expected to remain fairly stable for the remainder of 1981.

The poor performance in the most recent Winter Quarter was magnified by the fact that 1980's Winter

Percent Change in Quarterly Customer Traffic (Winter '79-Winter '81)



SOURCE: CREST

Quarter posted a 1.0 percent traffic gain. After a slow first quarter start, NRA predicts modest improvement in 1981 for commercial restaurants (eating places) with real sales (adjusted for inflation) to increase 0.6 percent,

compared to a 1.5 percent decline in 1980. (See December 1980 *Foodservice Trends*.)

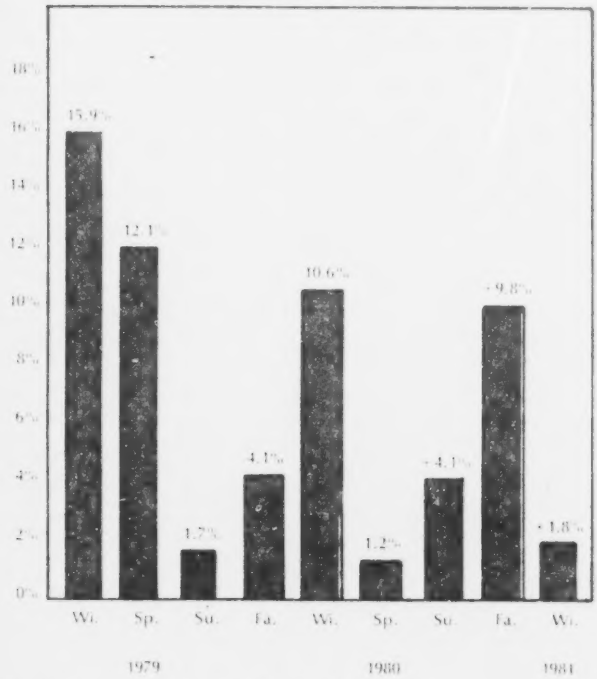
Frequency of Eating Out Declines

Visit frequency, the number of times each restaurant patron family goes to a restaurant, had shown some improvement in recent quarters as the rate of decline had been less each quarter. No improvement was seen in the Winter Quarter, with visit frequency decreasing 7.2 percent from the year earlier quarter, compared to the smaller 1.1 percent decrease in the previous quarter. This decline in visit frequency rather than a drop in the number of families eating out was the primary reason for the current quarter's poor performance. Information from the Gallup "Monthly Monitor of Eating Out" also suggests that the public is not eating out as much. For the first time the "Monitor" recorded two consecutive months (January and February) where less than 30 percent of the adult population had eaten out for any meal in the past twenty-four hours.

When visit frequency by restaurant type is analyzed, most of the decrease is attributed to cutbacks in visits to coffee shops, take out restaurants and fast food restaurants. On the other hand, visit frequency was up at cafeterias and at atmosphere/specialty restaurants.

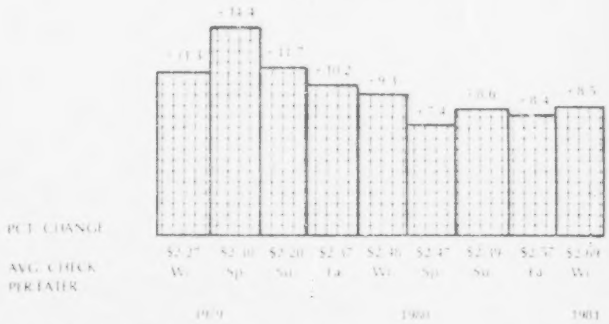
The number of families eating out (family reach) decreased slightly in the most recent CREST period, with the total number of families visiting a restaurant in the two week period off by 0.5 percent from the Winter Quarter of 1980. This compares to a gain of almost one percent in each of the previous two quarters.

Percent Change in Quarterly CREST Sales (Winter '79-Winter '81)



sales based on total U.S., average for 2 week period each quarter
SOURCE: CREST.

Average Per Person Check* (Winter '79-Winter '81)



*Based on average two week period.
SOURCE: CREST.

Restaurant Sales Increase 1.8 Percent

Restaurant industry sales rose only 1.8 percent in the Winter Quarter, posting the smallest gain since Spring 1980 and well below last quarter's 9.8 percent increase.

The average expenditure for a restaurant meal or snack (Eater Check Size) increased 8.5 percent for all restaurants in the Winter Quarter, approximating the previous quarter's 8.4 percent gain. Fast food, take out restaurants and coffee shops experienced double-digit increases in their average per person check size while cafeterias and atmosphere/specialty restaurants had moderate increases in average check size of 2.3 percent and 1.8 percent, respectively. The moderate gain in per person check size at these two restaurant types as well as changes patrons may have made in the number and type of menu items ordered probably contributed to the moderate rise in check size for all restaurants.

Consumers curtailed their number of visits to restaurants in the most recent quarter most likely because of the double-digit increases in per person check sizes at many restaurant types as well as the substantial increase in the price of gasoline. The consumer is feeling a pinch from higher prices of other goods and services as well. Inflation as measured by the Consumer Price Index increased 11.6 percent in the 1981 CREST Winter Quarter from the year earlier period.

Percent of Occasions Utilizing a Promotion

	Winter (D-F)	Spring (M-M)	Summer (J-A)	Fall (S-N)
1979	7.7%	6.7%	6.4%	7.7%
1980	8.7%	8.7%	7.8%	9.0%
1981	10.3%			

SOURCE: CREST

Promotional Activity at all Time High

Restaurant operators are continuing to use promotions as a means of increasing customer traffic. In the Winter Quarter 10.3 percent of the meal occasions included a promotion, considerably higher than the 9 percent of the occasions in the previous quarter.

A look at promotional usage by restaurant type shows that fast food, family and atmosphere/specialty restaurants have the highest percentage of use. Fast food restaurants experienced a considerable increase, rising to 14.2 percent of the occasions in the Winter Quarter from 11.8 percent in the previous CREST period. At family and atmosphere/specialty restaurants promotions were utilized at 9.5 and 9.6 percent of the occasions, respectively.

Traffic Declines at all Restaurant Types

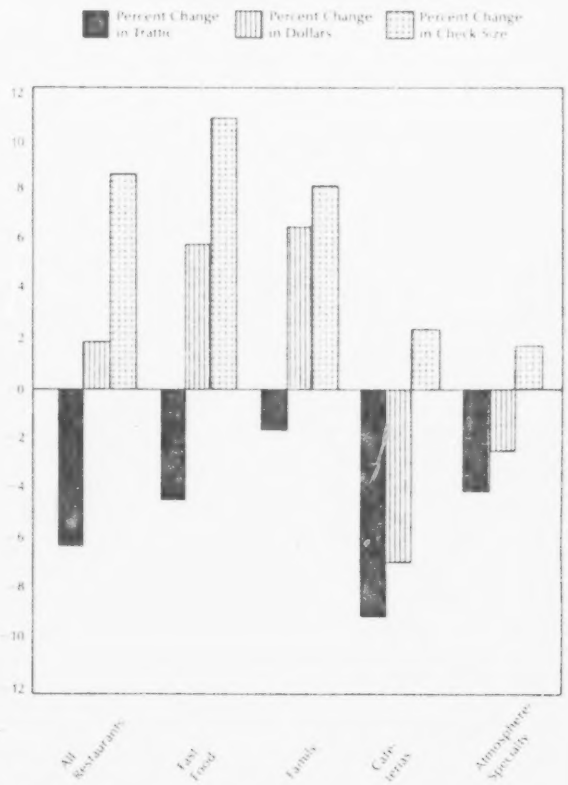
Customer traffic declined at all restaurant types in the most recent CREST quarter. Above average increases in check size, fewer families visiting restaurants and some families eating out less often explain this poor performance.

Traffic fell 1.5 percent at family restaurants, the smallest decline for any restaurant type, versus the 5.3 percent gain experienced in the Fall Quarter. The average check size increased 8.0 percent for this restaurant type, slightly less than the 8.5 percent gain for all restaurant types. This along with only a slight drop in the number of families eating out may have helped to slow the decline in customer traffic for family restaurants.

Fast food restaurant traffic fell 4.3 percent in the most recent quarter compared to a gain of 3.5 percent in the prior (Fall) Quarter. This decline is attributed to the 5.2 percent drop in visit frequency in the Winter Quarter as well as fewer families were eating out at this restaurant type. The average check size increased 10.8 percent during this period representing the first double-digit check increase for fast food units since the same quarter last year.

Customer counts at atmosphere/specialty restaurants fell 4.0 percent in the Winter Quarter from the prior year's period. Visit frequency increased 0.4 percent for this restaurant type in the most recent CREST period. The moderate increase in the per person check size of 1.8 percent and the slight increase in visit frequency probably helped to lessen the decline in traffic. Both coffee shops and take out restaurants experienced large declines in traffic in the Winter Quarter with customer counts down 15.1 percent and 17.4 percent, respectively. Double-digit price increases plagued both of these restaurant types, contributing to their poor performance. The large drop in customer counts for these two restaurant types was a significant factor in the 6.1 percent decline for all restaurants.

Winter Quarter Performance by Select Restaurant Type



SOURCE: CREST

Breakfast Traffic Declines 2.1 Percent

Breakfast traffic declined 2.1 percent in the most recent CREST period, following five consecutive quarters of increase. The primary reason was that fewer families were eating out for the morning meal. Breakfast is a more discretionary meal to eat out, and the continued squeeze on disposable income probably caused many consumers to forego eating out for breakfast.

Traffic for the noon-day meal fell 5.1 percent in the Winter Quarter from the same period a year earlier. Lunch traffic, which has been depressed since the Spring Quarter of 1979, had begun to show some improvement with a decline of only 1.2 percent in the Fall Quarter. This meal occasion provides easy alternatives to eating out, and given the winter weather, more people may have opted to stay indoors and eat at work or school cafeterias, "brown-bag" or skip the meal entirely, contributing to the poorer performance. Lunch menu prices rose a moderate 7.1 percent in the Winter Quarter compared to the larger 8.5 percent gain for all restaurants.

Supper traffic fell 4.6 percent in the Winter Quarter after increasing 3 percent in the Fall Quarter. The 3.7 percent decline in visit frequency as well as fewer families eating out for this meal period accounts for much of the poor performance. Snack traffic also declined in the current CREST Quarter following an increase of almost 2 percent in the previous quarter. The double-digit increase in per person check size and the decline in visit frequency contributed to this decline.

WHAT IS CREST

Launched in September 1975, The CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study does track chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels or motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

1. More interest in preparing foods from scratch
2. Belief that natural foods are better for you
3. Belief that ethnic foods are better for you

Wood pointed out that consumers are beginning to realize that what they eat out is important to their overall diet. Gallup has questioned consumers about the nutritional value of the food they eat in restaurants versus the food they eat at home, and the answers have been summarized in the accompanying table.

IS THE FOOD YOU EAT AS NUTRITIOUS OR LESS NUTRITIOUS THAN WHAT YOU EAT AT HOME?

Not as nutritious	53%
More nutritious	4%
As nutritious	36%
Don't know	7%

Wood believes that in the Eighties healthfulness will be more important than nutrition to consumers. Consumers will be especially concerned with salt, fat and sugar content of the foods they eat as well as desiring quality food products. Gallup research has indicated that 40 percent of the restaurant operators have noticed changes in consumer eating out habits, with the most frequently noted changes being:

- Eating more salads
- More patrons indicating they are on a diet
- Eating more vegetables
- Eating more seafood

Wood then went on to discuss some of the more important demographic changes which would take place in this decade and what impact they will have on the restaurant history. Two primary changes would be:

- Continued desire on the part of women to work
- Aging of the population

The working woman, or more specifically the working wife, is experiencing a conflict between the increasing demands on her time and her desire to serve her family healthful foods. She is preparing more meals from basics for her family, and the family continues to eat out. In addition, the working wife's spouse is becoming more involved in meal preparation, with the proportion of husbands in the kitchen growing from 10 percent to 33 percent in the past five years. Gallup research has indicated that households where the husband is more involved in the meal preparation use more convenience foods, own more kitchen appliances and eat out more frequently. Wood pointed out that there is a significant implication for restaurant advertising in this trend, with such advertising directed more toward males.

The aging of our population during the Eighties will result in a larger over 60 market. These people eat out less frequently, with only 19 percent of the 60+ group saying they had eaten out yesterday versus 32 percent overall, according to the "Gallup Monthly Monitor." Persons from this group prefer a family style restaurant when they eat out. They are becoming more affluent, and Wood believes they can become a prime target market for eating out in this decade.

Wood ended his presentation with a brief discussion on convenience stores. He indicated that a recent Gallup survey reported that about 20 percent of the adult population stated that they had purchased fast food items at a convenience store at some time and that 57 percent stated that they would purchase fast food from such an establishment. The highest proportion of the likely group was among older people and men. Wood stated that the demographics of the convenience store shopper were very similar to those of the eating out public and that convenience store sales of fast food would be a growing market in the Eighties.

Bill Hale Points Out How Market Research Can Be Used in the Strategic Planning Process

Bill Hale of Technomic Consultants discussed the areas of the strategic planning process where market research can be of assistance. He stated that market research can provide data on the organization's operating environment, data on the overall restaurant industry, data on the organization itself and data on consumers and their eating out habits. All of this information will help those directly involved in the strategic planning process to determine strengths, weaknesses and opportunities for the organization, according to Hale.

Hale stated that market research can be especially helpful to the planning process in determining the organization's overall position in relation to that of its competitors. Specifically, research can provide information on:

- Market penetration
- Concept differential and appeal
- Leverage
- Product pricing
- Profitability

WHOLESALE FOOD PRICES BEGIN RISING

Wholesale food prices have begun to rise, and many economists expect to see substantial increases, especially for red meat, before the year ends. During the first four months of this year, wholesale food prices for restaurants averaged 6.2 percent higher than in the same period in 1980, according to NRA's Food Cost Index. In comparison, overall wholesale food prices increased at a considerably faster pace of 8.6 percent, according to the Bureau of Labor Statistics *Producer Price Index*. Declines in prices for beef, veal, fish and shellfish in the first four months have helped keep food costs for restaurateurs from rising too dramatically; however, increases in prices for pork, poultry and eggs, vegetables and dairy products have exerted some upward pressure on overall food prices.

In the following paragraphs of this report, we have briefly reviewed the short term outlook for beef, pork, chicken, eggs, vegetables, sugar and dairy products.

Red Meat and Poultry Production

COMMODITY	1980				1981*	
	I	II	III	IV	I	II
Beef (mil. lbs.)	5,244	5,250	5,383	5,587	5,550	4,950
Pork (mil. lbs.)	4,124	4,300	3,757	4,250	3,950	4,000
Veal (mil. lbs.)	91	89	95	103	100	90
Lamb (mil. lbs.)	80	77	72	82	85	80
Chicken (mil. lbs.)	2,722	2,923	2,759	2,685	2,780	2,975
Turkey (mil. lbs.)	374	523	705	701	400	555

*Forecast

SOURCE: U.S. Department of Agriculture

BEEF. Wholesale prices for beef averaged nearly 4.0 percent lower during the first four months of 1981 versus the same period in 1980, according to *Producer Price Index* data. Production of grain fed and grass fed beef was up about 5 to 7 percent in the first quarter of this year, but USDA economist Ron Gustafson expects production to drop in the second quarter. This decrease will be the result of reduced fall and winter feedlot placements and a decline in grass fed slaughter. Additional feedlot cattle are available to go on feed this Spring, but Gustafson believes that continued feedlot losses, high feeding costs and an uncertain economy will make increased feedlot placements unlikely. (Grain fed cattle provide the choice cuts of beef, while grass fed cattle provide the hamburger-type beef.)

Cattle prices are expected to rise this Spring, but USDA's Gustafson feels that feedlot operators will still not be able to cover all their costs. Choice steer prices will average about $63 per hundredweight in the first quarter, down 6 percent from 1980's first quarter. In the second quarter, prices are predicted to rise to about $73, an increase of nearly 13 percent from the same period last year and a 16 percent advance from this year's first quarter. Gustafson believes that favorable grazing prospects, good spring planting conditions and declining interest rates could put further upward pressure on beef prices later this year due to the fact that fewer cattle would be put on feed.

PORK. Commercial pork production was down about 5 percent in the first quarter compared to the same period last year. Second quarter production is expected to be 6 to 8 percent smaller than in 1980 but slightly larger than production in the first quarter. Overall, pork production has not dropped as drastically as some USDA economists expected last fall, however. Since producers are still not able to cover all their costs despite high prices, further reductions in pork supplies can be expected later this year.

Pork prices averaged about $43 per hundredweight in the first quarter, up from $36 in 1980's first three months. Second quarter prices are expected to average around $45, an increase of 44 percent over the same period a year ago.

CHICKEN. Chicken production in the first half of 1981 is expected to be approximately 2 percent higher than a year earlier. If profits improve this summer and if tight supplies of hatching eggs do not limit expansion USDA economist Allen Baker expects second half production to be 5 to 7 percent above last year.

Export demand has helped elevate chicken prices even with increased production and higher than expected pork supplies, both of which are expected to continue through the remainder of this year. Prices averaged about 51 cents a pound in the first three months, up from 43 cents in 1980. Second quarter prices will probably average 53 cents a pound, a substantial 29 percent rise over 1980's 41 cents.

EGGS. Producers are operating at or slightly below the break even point so far in 1981, and as a result, they are attempting to cut back on production. Egg production in the first half of 1981 will be about one percent less than in 1980, but second half production is expected to be about 2 percent higher, especially if egg prices strengthen.

Egg prices at the wholesale level averaged about 73 cents a dozen in this year's first quarter, up nearly 18 percent from the same period in 1980. Second half prices should remain at the 73 cent level.

VEGETABLES. Smaller acreages of the major fresh vegetables, plus the damaging January freeze in Florida, have pushed fresh vegetable prices up 61.9 percent in

the first four months of this year compared to the first four months of last year. Total supplies of fresh vegetables from Florida dropped an estimated 12 to 18 percent this year. However, increased suppliers of fresh vegetables from the Western and Southwestern states in the coming months should provide some price relief.

Smaller supplies and increased marketing costs will keep prices of canned and frozen vegetables substantially higher in 1981 than in 1980. Some relief in prices may occur later this summer as supplies increase seasonally.

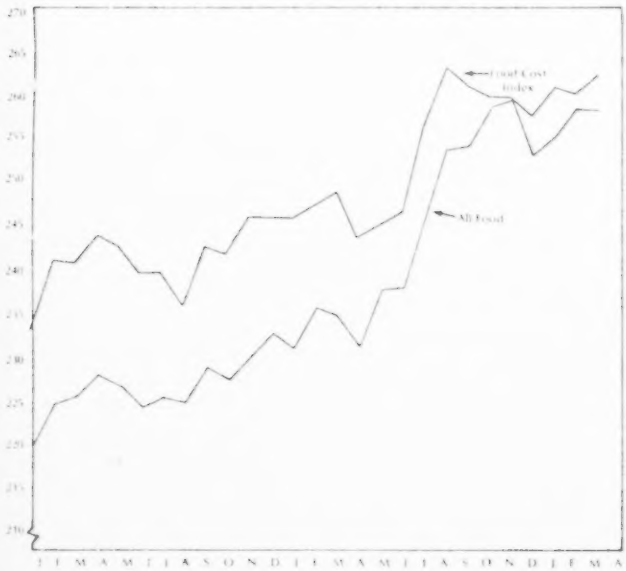
SUGAR. World sugar consumption in 1981 is expected to outpace production, putting further upward pressure on sugar prices. World sugar consumption and production should reach equilibrium during the 1981/82 year, and this could mean lower prices later this year and into 1982. Sugar prices have declined in recent months but still remain 23 percent above last year's level.

U.S. sugar consumption has been declining, probably reflecting the inroads of high fructose corn sirup (HFCS). Despite higher corn prices, HFCS sweeteners have been selling at discounts estimated at 20 to 40 percent below sugar.

DAIRY PRODUCTS. Milk production will show substantial gains during the first half of 1981, and the expanded output along with abundant commercial dairy product stocks will keep wholesale dairy prices near USDA purchase price levels. The defeat of the April first increase in the dairy price support should help to moderate prices for all dairy products this year.

Production in the second half of 1981 is likely to be approximately 2 percent above a year earlier, but commercial use should increase because of expected rises in consumer income and meat prices. Therefore, overall dairy prices, at both the wholesale and retail levels, are expected to rise more rapidly in the latter half of this year.

NRA's Food Cost Index vs. All Food, Producer Price Index



SOURCE: Bureau of Labor Statistics, *Producer Price Index*, NRA.

Commodity Price Index Percent Change

COMMODITY	1979-1980	Apr. '80-Apr. '81	4 Mos. '80-4 Mos. '81	Mar. '81-Apr. '81
Bakery Products	11.7%	8.7%	8.5%	0.5%
Flour and Cereal	12.3	10.6	10.5	1.0
Beef and Veal	3.2	(2.4)	(3.5)	0.3
Other Meats	(2.7)	19.6	12.9	(1.7)
Pork	(4.0)	23.6	15.0	(1.8)
Lamb	(0.4)	NA	NA	NA
Poultry and Eggs	1.0	17.4	14.1	(4.1)
Poultry	2.5	13.5	14.0	(8.4)
Eggs	(2.8)	22.7	14.3	8.7
Fish and Shellfish	(3.2)	0.2	(4.1)	1.3
Sugar and Sweets	35.4	9.5	(20.6)	(2.8)
Sugar	49.6	18.1	(4.1)	(5.5)
Vegetables	7.5	43.7	42.8	(2.1)
Fresh Vegetables	8.6	60.3	61.9	(4.6)
Fruits and Juices	4.2	0.3	5.3	2.1
Fresh Fruit	4.1	(3.6)	(8.4)	2.0
Beverages	0.8	(2.7)	(2.6)	NC
Dairy Products	12.1	7.9	9.9	NC
Fats and Oils	6.4	5.1	4.1	0.4
NRA Food Cost Index	**5.0%**	**7.4%**	**6.2%**	**(0.2%)**
All Food, Producer Price Index[1]	**8.0%**	**8.6%**	**8.6%**	**(0.6%)**

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics, NRA.

NRA Annual Directory Printing

The NRA 1981-82 annual directory "Who's Who in Foodservice", will be printed in June, 1981. The names and addresses in the directory will reflect NRA mailing information as of June 1, 1981. If you need to make an address change, please remove your label, mark the changes, and return it to the Membership Services Department, NRA, 311 First Street, N.W., Washington, D.C. 20001.

INTERESTED IN MARKET RESEARCH?

If you have an interest in market research at your foodservice organization and if your organization is a member of NRA, you may be interested in participating in the National Restaurant Association's Market Research Group. The group meets twice a year to discuss such topics as:

- The role of market research in restaurant brand evolution
- Market research uses of data base information systems
- Research techniques for testing advertising
- Secondary research sources
- Research techniques for determining new products.

The Market Research Group is able to bring together those persons directly involved in market research for the restaurant industry to hear from industry experts and to discuss new research techniques among themselves. The next meeting is to be held in New Orleans, Louisiana on October 7 through 9.

If you are interested in the Market Research Group and wish to be notified of future meeting topics and dates, including the upcoming October meeting, please complete the following form and return to: National Restaurant Association, 311 First Street, N.W., Washington, D.C. 20001, Attention: Bette Hoyt.

NAME

TITLE

ORGANIZATION

ADDRESS

PHONE NUMBER

Industry Index

RETAIL SALES (000,000)	March 1981	Percent Change vs. Year Ago	Year to Date Sales March 1981	Percent Change vs. Year Ago
All Retailers	$83,894	+10.4%	$235,549	+8.4%
Eating & Drinking Places	$ 7,546	+ 9.2%	$ 21,434	+9.4%
Food Stores	$18,653	+ 6.3%	$ 55,287	+8.7%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (March)	Percent Change vs. Year Ago	Percent Change 1981 to Date vs. Year Ago
Food at Home	+10.3%	+10.5%
Food Away from Home	+ 9.6%	+ 9.8%
All Items Less Food	+10.5%	+11.2%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	Feb. 1981	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$5,904	+7.6%	$12,104	+8.7%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (Feb.)	(2.6%)	(2.6%)

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	Feb. 1981	Percent Change vs. Year Ago
Total Employment	4,726.2	+4.3%
Nonsupervisory Employment	4,339.2	+4.0%
Nonsupervisory Average Hourly Earnings	$3.91	+7.1%
Average Weekly Hours	25.8	+1.1%

(Source: Bureau of Labor Statistics.)

FOODSERVICE TRENDS

BULK RATE
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WASHINGTON, D.C. 20013
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National Restaurant Association
311 First Street, N.W.
Washington, D.C. 20001
(202) 638-6100

Chicago Office
One IBM Plaza, Suite 2600
Chicago, Illinois 60611
(312) 787-2525

This document starts on page 3. There is no information missing.

NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

A Supplement to the Washington Report
June 12, 1981

analysis and interpretation

- the industry
- the market
- consumer behavior and attitudes

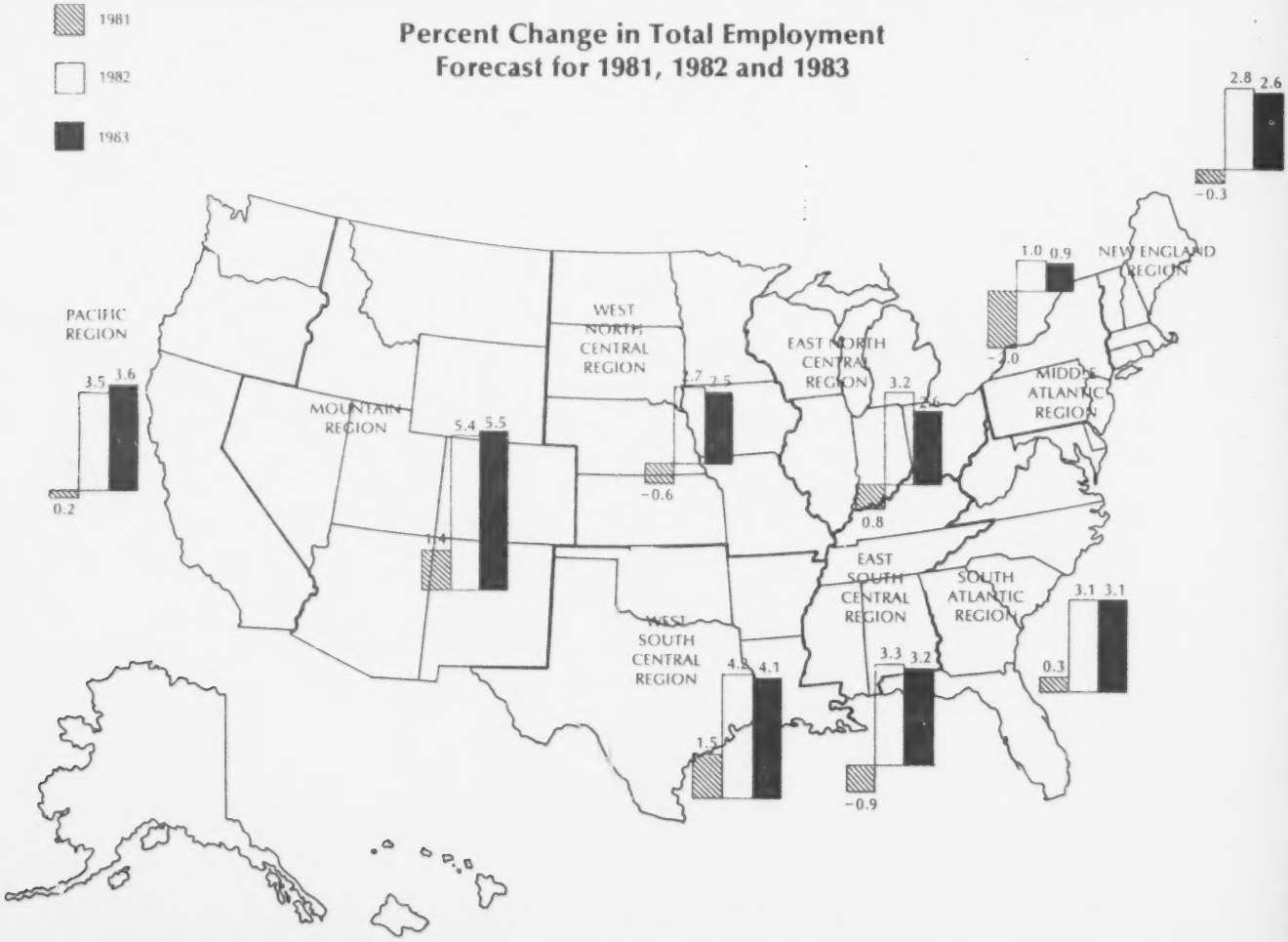
REGIONAL ECONOMIC OUTLOOK FOR THE 1980's

The impact of the recession that started in 1980 has varied from region to region throughout the United States. Those regions that are highly industrialized and rely on durable goods manufacturing such as auto, steel and rubber have been most adversely affected, while regions which are more dependent on energy and related industries experienced only a slight slow down in their normal growth pattern.

Regional economic performance in the 1980's will be influenced by industrial mix. Rapid employment, income and population growth is forecast for areas that are dependent on energy related industries and manufacturing of technological equipment such as computers. Those that still rely on durable goods manufacturing are forecast to have the slowest economic expansion.

State and regional economic forecasts for the 1980's have been published by the U.S. Department of Commerce Bureau of Economic Analysis and the Chamber of Commerce of the United States. NRA has summarized these forecasts as an update to the regional information published in the August, 1980 and December, 1980 issues of *Foodservice Trends*. We believe that this regional information is helpful to operators in under-

Percent Change in Total Employment
Forecast for 1981, 1982 and 1983



SOURCE: US Chamber of Commerce, Forecast Center, NRA

standing the impact of economic conditions on their overall business.

The regions expected to have the most rapid growth during the next few years are the Mountain and West South Central Regions. (See map for states in these regions.) These regions have not been adversely affected by past recessions and have stronger economies as a result. In addition, they have benefited from an increasing population, abundant energy resources and industries such as computers and electronics which are resilient to a declining economy. The nation's "energy crisis," which resulted in the decontrol of domestic oil prices, has brought outstanding growth to the states in the Mountain and West South Central areas. On the other hand, the highly industrialized East North Central, Middle Atlantic and New England Regions will experience the slowest growth in the early 1980's because they are dependent on cyclically sensitive auto and steel industries for employment and income. The population growth in these regions will be extremely slow in the next decade as unemployed workers migrate to the "Sunbelt States" seeking more secure employment.

In the following sections of this report we present highlights on the short term economic outlook for each of the nine census regions.

New England Region

The economy of the New England Region fared better in the 1980 recession than in previous ones, and this improved performance is attributed to changes in the industrial mix. The area has become less dependent on durable goods manufacturing and more dependent on defense related and high technology industries such as computers and communications. This change in industrial mix has slowed the decline in the region's share of total U.S. manufacturing employment. After falling significantly from 8.7 percent in 1960 to 7.2 percent in 1979, the region's share of manufacturing employment is forecast to post a slight increase to 7.4 percent in 1983, according to the U.S. Chamber Forecast Center.

Although growth in the New England Region is forecast as one of the slowest in the nation during the next few years, it will record the best performance of the regions that comprise the nation's oldest industrial center (Middle Atlantic, New England and East South Central). Employment is forecast to increase 2.8 percent in 1982 and 2.6 percent in 1983, following a slight decline of 0.3 percent this year. Manufacturing employment will account for most of the gain. Real personal income is projected to increase 2.2 percent in 1981, but will rise at a slower rate of 1.7 percent in 1982 and 2.5 percent in 1983. The region will experience no population growth in 1981, but a slight increase of 0.6 percent has been projected for both 1982 and 1983 by the U.S. Chamber Forecast Center.

Percent Change in Real Personal Income

	1981	1982	1983
New England	2.2%	1.7%	2.5%
Middle Atlantic	0.7	0.1	1.0
South Atlantic	2.8	2.7	3.4
East North Central	1.4	2.3	2.7
East South Central	2.0	3.4	3.8
West North Central	1.5	2.2	2.7
West South Central	3.7	3.7	4.2
Mountain	3.3	4.0	4.8
Pacific	2.9	3.0	3.6
Total U.S.	2.1	2.3	3.0

SOURCE: U.S. Chamber of Commerce, Forecast enter

Middle Atlantic Region

The Middle Atlantic Region is forecast to have the slowest overall economic growth in the nation for the short term and the decade as well. This is due to two factors, including the area's dependence on durable goods manufacturing as a major source of employment and income and outdated industrial plant and equipment. Industries are moving out of the area to the Sunbelt states where energy costs, wages and tax rates are lower.

This region's share of total U.S. manufacturing employment has fallen considerably from 24.6 percent in 1960 to 17.5 percent in 1979 and is expected to decline even further to a 16.6 percent share in 1983. As a result, employment growth is projected to be slow, declining 2.0 percent in 1981 and gaining only 1.0 percent in both 1982 and 1983.

NRA FOODSERVICE TRENDS

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Bette B. Hoyt	Editor
Rachel A. Zachary	Research Associate

Increases in income and population are expected to be small as well. Real personal income will rise less than 1.0 percent in 1981 and 1982 and only 1.0 percent in 1983. Population in the Middle Atlantic Region is forecast to decline 0.3 percent for each of the next two years and should show almost no growth throughout the remainder of the decade.

East North Central Region

The East North Central Region was one of the hardest hit in the 1980 recession because of the area's dependence on the housing and automobile industries. Manufacturing employment declined 8 percent and total non-farm employment fell 2.3 percent, according to the U.S. Chamber Forecast Center. This region has the largest share of total U.S. manufacturing employment, 24.4 percent in 1979, but this share is predicted to drop slightly to 23.3 percent in 1983.

Because of its dependence on volatile industries, employment, income and population growth in this region are expected to lag the national average for the decade. A decline in employment of 0.8 percent has been forecast for 1981, however, employment will increase at a faster 3.2 percent rate in 1982, and 2.6 percent in 1983. Some strength is expected to return to auto sales as the economic recovery continues accounting for the stronger near term growth in employment. Real personal income growth will be among the slowest in the nation, with projected gains of 1.4 percent in 1981, 2.3 percent in 1982 and 2.7 percent in 1983. Population growth of 1.2 percent is forecast for the area in both 1982 and 1983. For the 1978-1990 period population growth is forecast to rise only 0.5 percent, however. One reason for this slow growth over the long term may be the migration of unemployed workers to the "Sunbelt" where employment opportunities are more plentiful.

West North Central Region

The West North Central Region derives a larger portion of income from the farm sector than any other region in the U.S. As a result, slower growth in employment and income is forecast for the area in the 1980's. Total employment is expected to fall 0.6 percent in 1981, but rise 2.7 percent in 1982 and 2.5 percent in 1983. The non-manufacturing sector, which includes services, will experience gains of only 2.2 percent in both 1982 and 1983. Due to the slow rise in farm income, expenditures for services will be cut back, resulting in slower employment growth in this sector.

Real personal income growth of 1.5 percent is expected in 1981, followed by faster increases of 2.2 percent and 2.7 percent in 1982 and 1983. Population growth of 1.0 percent is predicted for 1981 and will lag the national average in 1982 and 1983 as well with an increase of only 0.6 percent. As mining and energy-related industries become more important to this area as sources of employment and income, they will benefit the area's future economic performance.

South Atlantic Region

While overall economic growth in the South Atlantic Region will not be the strongest in the nation during the next decade, it will be above average. Manufacturers have been and will continue to move into this region because of its lower wage rates, lower energy costs and more advantageous tax structure. The fact that more industries are locating in this region is evidenced by the increased share of total manufacturing employment which rose from 12.2 percent in 1960 to 14.6 percent in 1979. Further increases are projected as the share is expected to reach 15.0 percent in 1983. Total employment growth of 3.1 percent is projected for both 1982 and 1983.

The continuing migration of older retired persons to Florida also accounts for some of this region's income and population growth. Real personal income is projected to rise 2.8 percent in 1981, 2.7 percent in 1982 and 3.4 percent in 1983. Population growth of 1.0 percent is expected in 1981, followed by increases of 1.6 percent in both 1982 and 1983.

East South Central Region

The East South Central Region experienced slow economic growth during the 1980 recession according to the U.S. Chamber Forecast Center. Total nonagricultural employment declined 1.3 percent, one of the steepest declines in the nation. This decline was caused by the region's orientation toward the apparel and food processing industries. Despite this poor performance

Regional Shares of Total U.S. Manufacturing Employment

	1960	1979	1983
New England	8.7%	7.2%	7.4%
Middle Atlantic	24.6	17.5	16.6
South Atlantic	12.2	14.6	15.0
East North Central	26.8	24.4	23.3
East South Central	5.0	6.8	6.7
West North Central	6.0	6.8	6.7
West South Central	0.9	7.8	8.5
Mountain	10.2	12.2	12.8
Pacific	1.6	2.7	3.0

SOURCE U.S. Chamber of Commerce, Forecast Center

strong growth is forecast for the decade. Total employment growth of 3.3 percent and 3.2 percent is projected for 1982 and 1983, respectively, following a drop of 0.9 percent in 1981. This region has a small share of total U.S. manufacturing employment which is not expected to increase. Employment growth in the next few years will result from gains in the consumer and non-manufacturing industries.

Real personal income will rise 2.0 percent in 1981 and increase at a faster rate of 3.4 percent in 1982 and 2.3 percent in 1983. The population is expected to increase 1.0 percent in 1981 and 1.2 percent in both 1982 and 1983.

West South Central Region

The West South Central Region has one of the highest economic growth rates forecast for the U.S. in the next decade. This region felt little of the 1980 recession, experiencing only a slight slowdown in economic activity. The area is dependent on energy-related industries, and the decontrol of domestic oil prices has benefited it by increasing employment opportunities and income. Population growth in the region was one of the most rapid in the U.S. during the 1970's and is expected to continue into this decade. The U.S. Chamber of Commerce Forecast Center has projected increases of 2.2 percent and 2.3 percent in 1982 and 1983.

Total employment is projected to increase 1.5 percent this year, 4.2 percent in 1982 and 4.1 percent in 1983, making this one of the nation's most rapidly growing regions. Gains are expected in both manufacturing and non-manufacturing employment, a result of growth in energy and related industries. This region has the largest energy production and refinery capacity of any in the U.S., and also has become the world center for energy technology. This has brought about increased activity for services such as energy research and development.

Real personal income gains of 3.7 percent are predicted for both 1981 and 1982 followed by a 4.2 percent gain in 1983. This is considerably faster than the gains for the same years of 2.3 percent and 3.0 percent projected for the total U.S.

Mountain Region

Overall economic growth in the Mountain Region is forecast as the most rapid in the nation for the next decade. The 1980 recession had almost no affect on this area, and as a result, it is probably the healthiest region economically in the U.S. The region's strong performance is attributed to its lack of dependence on manufacturing as a source of income and employment. Construction, services and trade have become the important employers in the area because of the population gains of the past 20 years. Mining and rapidly developing industries such as nonelectrical machinery, electronic equipment and fabricated metals will contribute significantly to this region's growth in the next 10 years.

Total employment is expected to rise 1.4 percent in 1981, but stronger gains of 5.4 percent and 5.5 percent are forecast for 1982 and 1983. Both the manufacturing and the non-manufacturing sectors will experience significant employment gains.

Population growth will be the most rapid in the nation, increasing 3.0 percent in 1981 and 3.1 percent in both 1982 and 1983. The region will also experience the strongest gains in real personal income. The U.S. Chamber predicts that states in this area will experience increases of 3.3 percent in 1981, 4.0 percent in 1982 and 4.8 percent in 1983.

Pacific Region

Employment, income and population in the Pacific Region will increase at a considerably faster rate than the total U.S. throughout the 1980's. Although total employment is forecast to decline 0.2 percent in 1981, strong growth of 3.5 percent and 3.6 percent in 1982 and 1983 is expected. Most of the gains will be in manufacturing employment stemming from the high technology industries such as computers and electronic components. Employment in the non-manufacturing sector will increase as well. Services, such as consulting, will be in strong demand because of growth in these high technology industries.

Real personal income is expected to rise 2.9 percent in 1981, 3.0 percent in 1982 and 3.6 percent in 1983. The population will continue to increase quite rapidly in this area during the next few years. The U.S. Chamber Forecast Center predicts growth of 2.2 percent and 2.3 percent for 1982 and 1983.

Percent Change in Population

	1981	1982	1983
New England	NC	0.6%	0.6%
Middle Atlantic	NC	(0.3)	(0.3)
South Atlantic	1.0%	1.6	1.6
East North Central	NC	0.5	0.7
East South Central	1.0	1.2	1.2
West North Central	1.0	0.6	0.6
West South Central	2.0	2.2	2.3
Mountain	3.0	3.1	3.1
Pacific	2.0	2.2	2.3
Total U.S.	1.0	1.2	1.2

SOURCE U.S. Chamber of Commerce, Forecast Center

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 3, Number 4
July, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue

- **NRA Reports 1981 Industry Sales To Reach $125.6 Billion.**
- **NRA Offers New *Meal Consumption Behavior* Study.**
- **New NRA Study Provides Information On Meals Prepared Away From Home Versus At Home.**
- **Meal Skipping Behavior Revealed In NRA Study.**
- **CREST Reports On Consumer Behavior In A Weakened Economy.**
- **Independents Predominate In Foodservice.**
- **Wholesale Food Prices Decline Slightly In May.**
- ***Foodservice Sales Panorama* Now Available.**

NRA REPORTS 1981 INDUSTRY SALES TO REACH $125.6 BILLION

The National Restaurant Association has published revisions to its foodservice industry sales figures for 1970 through 1980 in its latest publication, *Foodservice Sales Panorama*. (Readers wishing to order this new 47 page report should see the box on page 12.) These revisions to our sales figures are based on new information from the U.S. Bureau of the Census and other industry and government sources. The changes have made necessary certain revisions to our 1981 sales projections as well. (These figures were originally presented in the December 1980 *Foodservice Trends*.)

We now estimate that 1981 foodservice industry sales will reach $125.6 billion, up from $114.0 billion in 1980. (Our original 1980 and 1981 sales levels were $111.3 billion and $122.7 billion respectively.) The accompanying table highlights the revised sales levels for the industry's major segments. Readers should note that percent changes in both current and constant dollars between 1980 and 1981 remain unchanged.

Foodservice Industry Sales
1980-1981

	Sales (000)		Percent Change	
	1980	1981	Current Dollars	Constant Dollars
Commercial Feeding	$ 96,209,109	$106,118,647	10.3%	0.4%
Eating Places	67,701,826	74,896,414	10.6%	0.6%
Restaurants, Lunchrooms	36,037,601	39,533,248	9.7%	(0.3%)
Limited Menu Restaurants	27,434,837	30,809,322	12.3%	2.3%
Commercial Cafeterias	2,163,965	2,317,606	7.1%	(2.9%)
Social Caterers	775,944	806,206	3.9%	(6.1%)
Ice Cream, Frozen Custard Stands	1,289,479	1,430,032	10.9%	0.9%
Institutional Feeding	17,216,690	18,938,359	10.0%	(0.2%)
Total Industry	$114,011,143	$125,640,280	10.2%	0.3%

Sources: Malcolm Knapp, Inc.; National Restaurant Association.

NRA OFFERS NEW *MEAL CONSUMPTION BEHAVIOR* STUDY

The National Restaurant Association is able to offer summary tables and detailed statistical tables for the meal consumption study described in the following two articles in a new study entitled "Meal Consumption Behavior." The cost of this publication is $12.50 for members and $25.00 for non-members. Interested persons can order it by contacting NRA's Educational Materials Center, 311 First Street, N.W., Washington, D.C. 20001. (Members please specify order number CS 100 and non-members specify order number CS 101 when ordering "Meal Consumption Behavior.")

NEW NRA STUDY PROVIDES INFORMATION ON MEALS PREPARED AWAY FROM HOME VERSUS AT HOME

Highlights

- **The average person age 8 or older eats out 3.5 times during a seven day period.**
- **Lunch is the meal most likely to be eaten out, with 51 percent of the persons 8 years and older stating they had eaten out for lunch at least once in the past seven days.**
- **Males eat out more frequently than females. This is especially true for lunch where 54.9 percent of the males have eaten out for lunch compared to 46.4 percent of the females.**
- **Persons 22 to 40 eat out more frequently than persons in other age groups, while persons 65 and over eat out infrequently.**
- **Eating out behavior varies with household size, with persons from single households eating out more frequently than others.**
- **Persons from upper income households are more likely to eat out for lunch and dinner than persons from lower income households.**

In April, the National Restaurant Association contracted with National Family Opinion, Inc. to conduct a consumer study to determine where an individual's meals are prepared and what meals are skipped. Questionnaires were mailed to 10,000 households and each household member age 8 or older was requested to respond to the question, "Record for the past 7 days the number of meals prepared privately at home or at a friend's home, prepared commercially in a restaurant, school or work cafeteria or skipped." The three major meal periods were included in our survey; however, snacks were excluded.

This study collected information on meal consumption behavior for 13,466 adults and children. Previously we have not had access to such data since CREST information provides us with family eating out behavior only. In addition, survey results from both Gallup and Roper on where meals are prepared and consumed are limited to adults 18 years and older. The accompanying chart clearly depicts the distribution of where weekly meals are prepared by age and sex. Of all weekly meals consumed, seven out of ten are prepared at home or at a friend's home, two out of ten are prepared commercially and one out of ten are skipped. However, these meal consumption patterns do vary by meal period and this is especially true of lunch where over three out of ten lunches are eaten in restaurants or school and work cafeterias. We believe that the information from this NRA consumer study will provide some new and much needed insight into individual meal consumption behavior, offer unique opportunities to foodservice operators and can be beneficial in planning advertising and promotional campaigns and in identifying potential new market segments.

Lunch is Most Likely Meal To Be Eaten Out

Survey results revealed that the average person 8 years or older eats out for 3.5 meals in a 7 day period compared to 14 meals consumed or prepared at home. Lunch is the most likely meal to be eaten out, with the average respondent dining out or eating commercially prepared lunches two times a week versus 1.1 times for dinner and 0.4 times for breakfast. In comparison, the average respondent consumes about 5 breakfasts, 4 lunches and 5 dinners which were prepared at home or at a friend's home. (For information on meals skipped readers should refer to the article immediately following this one.) CREST and Gallup research data also report that lunch is the meal most frequently eaten outside the home.

Over half (51 percent) of the persons 8 years or older have eaten out for lunch at least once in the past seven days compared to a slightly lower 47.2 percent for dinner and only 15.1 percent for breakfast. In addition,

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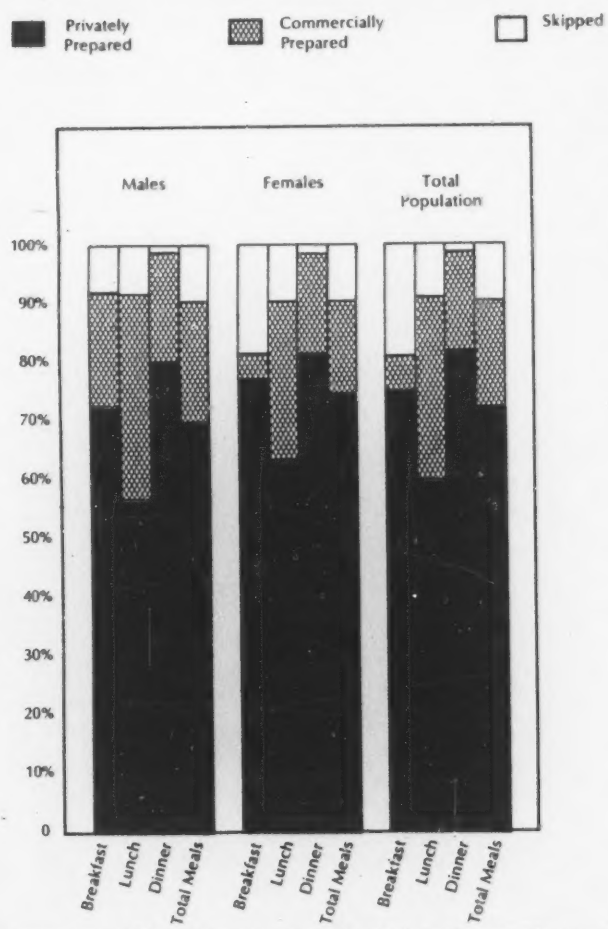
Distribution of Where Meals Are Prepared by Meal Occasion and Sex



Source: National Restaurant Association, Research and Information Services Department.

lunch is the meal which is prepared commercially most frequently. As shown in the accompanying table, one fourth of the survey respondents stated that they had eaten out for lunch at least five times during the past seven days. This probably reflects the high proportion of commercially prepared meals at school and work cafeterias as well as the high incidence of those in the work force who have little or no alternative but to go out for the noon day meal. The frequency of home prepared lunches, however, is still considerably greater than that of commercially prepared ones. Nearly half of the respondents reported that 5 to 7 of their lunches each week are prepared or eaten at home.

Males Eat Out More Frequently Than Females

Males have a greater tendency to eat out (or eat commercially prepared food) than females, and this is especially true for lunch. In the past seven days 54.9 percent of the male respondents have eaten out for lunch at least once compared to 46.4 percent of the female respondents. In addition, males eat out for lunch more frequently, with three out of ten reporting they had eaten commercially prepared food for the noon day meal on five or more occasions versus two out of ten females. Labor statistics indicate that there are more men than women in the work force, and this probably explains in great part why males eat out for lunch more than females.

Frequency of Place of Preparation by Meal Occasion

Meal Occasion	Prepared Privately	Prepared Commercially	Skipped
Breakfast			
At least once	81.3%	15.1%	26.6%
1-2 Times	7.5%	9.2%	5.5%
3-4 Times	6.2%	2.7%	4.9%
5-7 Times	67.6%	3.2%	16.2%
None	18.7%	84.8%	73.3%
Lunch			
At least once	75.8%	51.0%	15.9%
1-2 Times	17.1%	17.7%	7.3%
3-4 Times	9.1%	8.2%	3.2%
5-7 Times	49.6%	25.1%	5.4%
None	24.3%	49.0%	84.1%
Dinner			
At least once	88.6%	47.2%	4.8%
1-2 Times	3.1%	33.2%	3.3%
3-4 Times	10.0%	9.0%	0.9%
5-7 Times	75.5%	5.0%	0.6%
None	11.3%	52.6%	95.2%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Persons who eat breakfast in restaurants or order take out breakfasts are more likely to be male than female. Eighteen percent of the males said they had eaten out for breakfast on at least one occasion in the past seven days while the proportion of females was a considerably lower 12.2 percent. Labor force participation again probably explains this phenomenon.

Our survey revealed that both men and women are about equally likely to eat out for dinner. The evening meal is usually regarded as a more social occasion often requiring the presence of friends or relatives as opposed to the more necessary nature of the noon day meal which is often eaten alone or with business associates.

Persons 22 To 40 Eat Out More

Respondents in the 22 to 40 age group are more likely to eat commercially prepared food than respondents in other age groups, as shown in the chart on the next page.

Over half of the persons who are between 22 and 40 years old have eaten out at least once in the past week for lunch and dinner and nearly 20 percent have had breakfast at a restaurant on one or more occasions. This age group, represented by many singles and with a high proportion of members in the work force, may find eating out to be more convenient and requiring less time than eating at home.

Nearly seven out of ten respondents age 21 and under have eaten out for lunch one or more times in the past week, which is a greater proportion than for any other age group. In addition, 47.0 percent of these younger respondents have had a commercially prepared noon day meal five to seven times in the past seven days. The data for this age group, which contains many school age children, probably reflect the high incidence of eating lunch in school cafeterias.

Frequency of Commercially Prepared Meals by Age

Meal	Age Group: 21 and under	22-40	41-64	65 and over
Breakfast				
At least once	11.8%	17.7%	16.6%	11.3%
1-2 Times	5.4%	11.5%	10.6%	7.0%
3-4 Times	2.5%	3.0%	2.7%	2.2%
5-7 Times	3.9%	3.2%	3.3%	2.1%
None	88.1%	82.3%	83.3%	88.7%
Lunch				
At least once	67.7%	54.3%	45.8%	28.7%
1-2 Times	13.2%	23.1%	17.5%	15.3%
3-4 Times	7.5%	10.1%	7.9%	6.5%
5-7 Times	47.0%	21.1%	20.4%	6.9%
None	32.2%	45.6%	54.1%	71.4%
Dinner				
At least once	42.9%	53.9%	50.5%	37.8%
1-2 Times	31.0%	38.8%	34.6%	24.6%
3-4 Times	7.2%	10.1%	10.5%	7.6%
5-7 Times	4.7%	5.0%	5.4%	5.6%
None	57.0%	46.1%	49.5%	62.2%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Senior citizens, those persons 65 and over, are the least likely age group to eat out. Our survey revealed that in the past seven days the proportion of respondents who had eaten out on at least one occasion was 11.3 percent for breakfast, 28.7 percent for lunch and 37.8 percent for dinner. These figures are considerably lower than those for any other age group, as shown in the accompanying table. Further analysis of the data from this study shows that persons age 65 and over skip very few meals and prepare and consume the vast majority of their meals at home or at a friend's home. Senior citizens probably find it more economical to eat at home than to eat in restaurants. In addition, they probably enjoy the social aspect of each daily meal and have little desire to skip any eating occasion.

Eating Out Behavior Varies With Household Size and Income

Analysis of the data from this survey reveals that eating out behavior varies with household size, with single persons eating out more frequently. The proportion of respondents from one member households who had eaten out at least five times in the past week was 4.6 percent for breakfast, 20.2 percent for lunch and 9.8 percent for dinner. The data also reveal that single persons skip a high proportion of their meals, and we believe that they may find it somewhat inconvenient to prepare meals at home for one person.

Persons from four and five member households have a high incidence of eating out or eating commercially prepared food for lunch. Over half of the persons in each of these two groups have eaten out for the noon day meal on at least one occasion in the past week, and a significant proportion have eaten out for lunch five to seven times in the past seven days. Since these households contain a large number of children and work force members, it would appear they consume a considerable number of their noon day meals away from home.

Respondents from upper income households eat out or eat commercially prepared meals more than respondents from lower income families. The percentage of persons from households with incomes over $25,000 stating they had consumed at least one meal away from home in the past seven days was 17.2 percent for breakfast, 60.5 percent for lunch and 58.1 percent for dinner. In comparison, the percentages for persons from households with incomes under $10,000 were 15.5 percent for breakfast, 41.5 percent for lunch and 33.6 percent for dinner. Upper income households probably have more discretionary income to spend on eating out while lower income households have considerably less.

MEAL SKIPPING BEHAVIOR REVEALED IN NRA STUDY

The consumer study described in the previous article, "New NRA Study Provides Information on Meals Prepared Away From Home Versus At Home" also supplied us with data on meal skipping behavior. We believe that this information can be beneficial to restaurant operators in planning and implementing new meal service, targeting advertising and promotion campaigns and identifying new markets or market segments.

This study revealed that the average person (8 years old or older) skips 1.3 breakfasts, 0.6 lunches and only 0.1 dinners in a seven day period. In the following sections of this report, we will analyze this meal skipping information in detail by meal period and by such demographic characteristics as age, sex, household income and household size. Much of the data and analysis presented here are supported by other research such as that conducted by the Roper Organization. (See *Foodservice Trends*, June 1980.)

Breakfast Is Most Frequently Skipped Meal

NRA's consumer study revealed that breakfast is the meal most likely to be skipped, while dinner is the least missed meal. Over one fourth of the respondents stated that in the past seven days they had skipped breakfast at least once compared to less than 5 percent for dinner and about 16 percent for lunch. (See accompanying table.) Perhaps the reason why breakfast is missed more than other meals is due to time and convenience factors. Many people may feel that they do not have sufficient time to prepare and consume the morning meal at home or away from home, and as a result, they forgo it altogether. On the other hand, dinner is often a more social or family meal with relatively more time available for meal preparation and consumption.

Breakfast is also the most frequently skipped meal, with nearly one out of six respondents (16.2%) stating that they had not eaten breakfast at least five times in the past week. In comparison, 5.4 percent reported that they had not eaten lunch at least five times, and the proportion for dinner was less than one percent.

Persons 22 to 40 Most Likely To Skip Meals

NRA's consumer survey collected data on meal skipping behavior by age and sex of each respondent, and our analysis of this information reveals some substantial differences, particularly with regard to age. Males and females appear to be very similar in their tendency to miss meals. Both are more likely to skip breakfast than any other meal, with about one fourth of each sex reporting that they had skipped breakfast in the past week.

Among the various age groups, persons in the 22 to 40 segment are most likely to skip meals, and they skip meals frequently. Nearly 45 percent of the respondents 22 to 40 years old had not eaten breakfast one or more times in the past seven days and 28.1 percent stated they had skipped breakfast 5 to 7 times. Approximatley one fourth of the persons in this age group had missed lunch one or more time in the past seven days and one out of twelve had not eaten dinner at least once. This group, representing a major segment of the work force and containing many singles, may be faced with considerable time pressures and lack of interest in preparation of meals, a marketing opportunity which a number of foodservice operators have recognized in the past several years.

The oldest age segment, those persons age 65 and over, are the least likely to skip meals, and as we reported in our previous article, they are also the least likely to eat out at restaurants. Less than 10 percent of the senior citizen respondents have skipped breakfast or lunch one or more times in the past week and only about two percent have not eaten dinner on at least one occasion. If senior citizens do forgo any meal during a given week, they are likely to do so only once or twice. This particular segment, represented by many retirees, may view each meal as a social occasion and have little desire to miss it.

Frequency of Skipped Meals by Meal Occasion

Frequency	Breakfast	Lunch	Dinner
At Least Once	26.7%	15.9%	4.8%
1-2 Times	5.5%	7.3%	3.3%
3-4 Times	4.9%	3.2%	0.9%
5-7 Times	16.2%	5.4%	0.6%
None	73.3%	84.1%	95.2%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Skipping Behavior Varies With Household Income

Persons from households with incomes under $15,000 and those from households with incomes of $20,000 to $24,999 are the most likely breakfast skippers,

and they also skip breakfast more times in a week. Nearly 30 percent of the respondents in these income groups have missed at least one breakfast in the past week and slightly less than 20 percent have not eaten breakfast 5 or more times.

Respondents who are likely to have skipped lunch one or more times in the past seven days come from either the lowest or the highest income groups. Our study revealed that 16.6 percent of the persons from households with incomes under $10,000 had not eaten lunch at least once in the prior seven day period and 6.4 percent had missed the noon day meal five or more times. Persons from households with incomes above $25,000 are also likely to skip lunch, with 16.8 percent reporting that they had not eaten lunch on at least one occasion in the past week. It may be that lower income persons skip lunch primarily for economic reasons, while for upper income respondents, which include many middle and top management workers, time and convenience may be the influencing factors.

Respondents from lower income households are the most probable dinner skippers while those from the top income group are the least likely to miss the evening meal. Our survey revealed that 6.5 percent of the respondents from households with incomes under $10,000 had not eaten dinner one or more times in the past seven days compared to 4.4 percent for all respondents and 4.1 percent for upper income respondents. Because the evening meal is the most expensive meal to prepare at home or to eat out, economic factors are probably the primary reason for this occurrence.

Percentage of Meals Skipped by Age

Meal	Age Group: 21 and Under	22-40	41-64	65 and over
Breakfast				
At least once	19.5%	44.7%	21.9%	8.6%
1-2 Times	4.7%	8.6%	4.3%	2.9%
3-4 Times	4.5%	8.0%	3.7%	1.4%
5-7 Times	10.3%	28.1%	13.9%	4.3%
None	80.4%	55.2%	78.1%	91.4%
Lunch				
At least once	9.5%	23.7%	16.0%	8.2%
1-2 Times	5.1%	11.6%	6.7%	3.0%
3-4 Times	1.7%	5.3%	3.0%	1.2%
5-7 Times	2.7%	6.8%	6.3%	4.0%
None	90.5%	76.2%	84.0%	91.7%
Dinner				
At least once	3.5%	8.3%	3.2%	1.9%
1-2 Times	2.1%	6.1%	2.3%	1.0%
3-4 Times	1.0%	1.4%	0.4%	0.3%
5-7 Times	0.4%	0.8%	0.5%	0.6%
None	96.4%	91.7%	96.7%	98.0%

Note: Totals may not add to 100% due to rounding.

Source: National Restaurant Association, Research and Information Services Department.

Single Persons Most Likely Meal Skippers

Respondents from one member households are more likely than other respondents to skip meals. In the past week, 30.8 percent of these single persons had skipped at least one breakfast, 21.0 percent had missed one or more lunches and 8.8 percent reported missing at least one evening meal. These respondents may find it easier to skip a meal rather than to prepare it themselves or to eat out at a restaurant.

Persons from two member and five member households are the least likely to skip any meals, and they have a particularly low likelihood of missing lunch. In the case of the two member household, both parties are probably in the work force and lunch may be eaten as the main meal. For five member households, which have several school age members, the frequency of skipping lunch may be low because meal service is provided at schools.

CREST REPORTS ON CONSUMER BEHAVIOR IN A WEAK ECONOMY

Highlights

A special CREST report on the effects of the 1979 inflationary period and the 1980 recession on eating out behavior reveals that:

- **Snacking occasions followed by lunch were most adversely affected during the 1979-80 economic slowdown.**
- **Lower priced restaurants were affected before higher priced establishments.**
- **The weak economy had a more adverse impact on families with housewives under 49 years old.**
- **Older families were more inclined to control restaurant spending during the high inflationary period of 1979 than during the recessionary period of 1980.**
- **Restaurant visits by white collar families were curtailed during the gasoline shortage of 1979, while restaurant visits by blue collar families were reduced during the recession.**

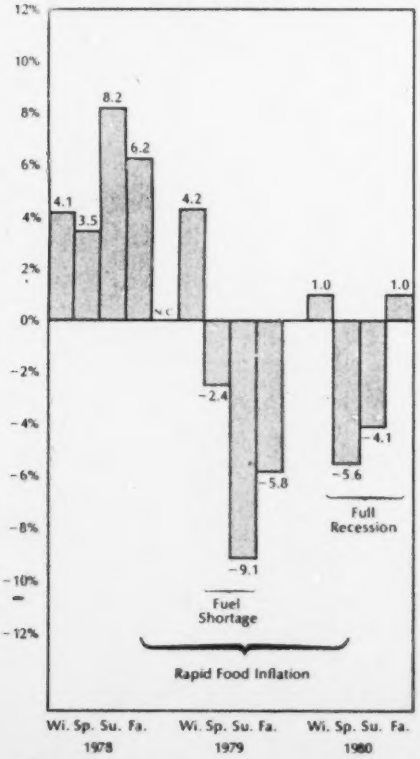
The restaurant industry experienced healthy traffic gains in 1978, but by the Spring of 1979 customer counts at the nation's restaurants were declining. Since that

Spring, CREST data have shown only two quarters (Winter 1980 and Fall 1980) in which traffic increased over the same period in the prior year. (See accompanying chart.) As a result, CREST embarked on a study to analyze what consumer restaurant behavior changes occurred in 1979, a period of high inflation and gasoline shortages, and 1980, a recession, and why these changes affected our industry. This special CREST analysis covered the two year period from Fall 1978 through Fall 1980.

The study analyzed the industry by meal occasion, price range, restaurant type and family characteristics. Although the information presented here is historical in nature, we feel that it can be helpful to restaurant operators in anticipating and understanding the impact of external economic factors on the restaurant industry in the future.

Looking back over the general health of the U.S. economy from 1978 through 1980, we find the following factors had the most dramatic impact on the restaurant industry.

Percent Change in Quarterly Customer Traffic (Winter, 1978-Fall, 1980)



Source: CREST, NPD Research, Inc.

- Growth in real disposable income slowed from 4.4 percent in 1978 to 3.1 percent in 1979 and to only 0.6 percent in 1980, causing overall consumer affluence to decline.
- Inflation also eroded consumers' purchasing power, with the Consumer Price Index rising 7.6 percent in 1978, 11.3 percent in 1979 and 13.5 percent in 1980.
- The retail price of gasoline rose 35.2 percent in 1979 and 39.0 percent in 1980. In addition, much of the country experienced a gasoline shortage in the late spring and early summer of 1979.

CREST researchers point out that the restaurant industry moved from a young and developing stage to a mature one due in great part to these external economic factors. In the remaining sections of this report we will highlight the findings from this latest CREST study, "Consumer Response To A Weakened Economy."

Breakfast Had Best Performance Overall

Although all meal occasions experienced traffic gains in 1978, breakfast recorded the strongest growth. Customer counts for the morning meal were up 7.5 percent, compared to 6.7 percent for lunch. During 1979's Spring and Summer Quarters, however, breakfast traffic declined dramatically. Breakfast counts were off 3 percent and 10 percent in each of these quarters. Only snack traffic experienced worse traffic losses, down 5 percent and 11 percent. This was probably the result of the fuel shortage and cut backs in driving as well as the more discretionary nature of these two meals. Since the Summer of 1979 breakfast resumed its growth trend and was the only meal occasion to experience traffic increases during this period of high inflation and recession. Snacks, on the other hand, continued to record traffic losses at a heavy rate as the recession progressed. Of the two remaining meals, supper held on to customer counts better than lunch.

Overall, the CREST Study drew the following conclusions concerning meal traffic performance in 1979 and 1980.

- Snacks are the most discretionary eating out occasion. Consumers cut back on these early in the inflationary period of 1979, and they remained depressed throughout the entire 1979-1980 period.
- Lunch is probably the least discretionary meal, but it experienced the second greatest rate of traffic losses during the two year period. Consumers have some relatively easy options for expenditure savings on lunch such as "brown bagging," eating at work and in school cafeterias, which are not covered by the CREST survey, and skipping the meal.

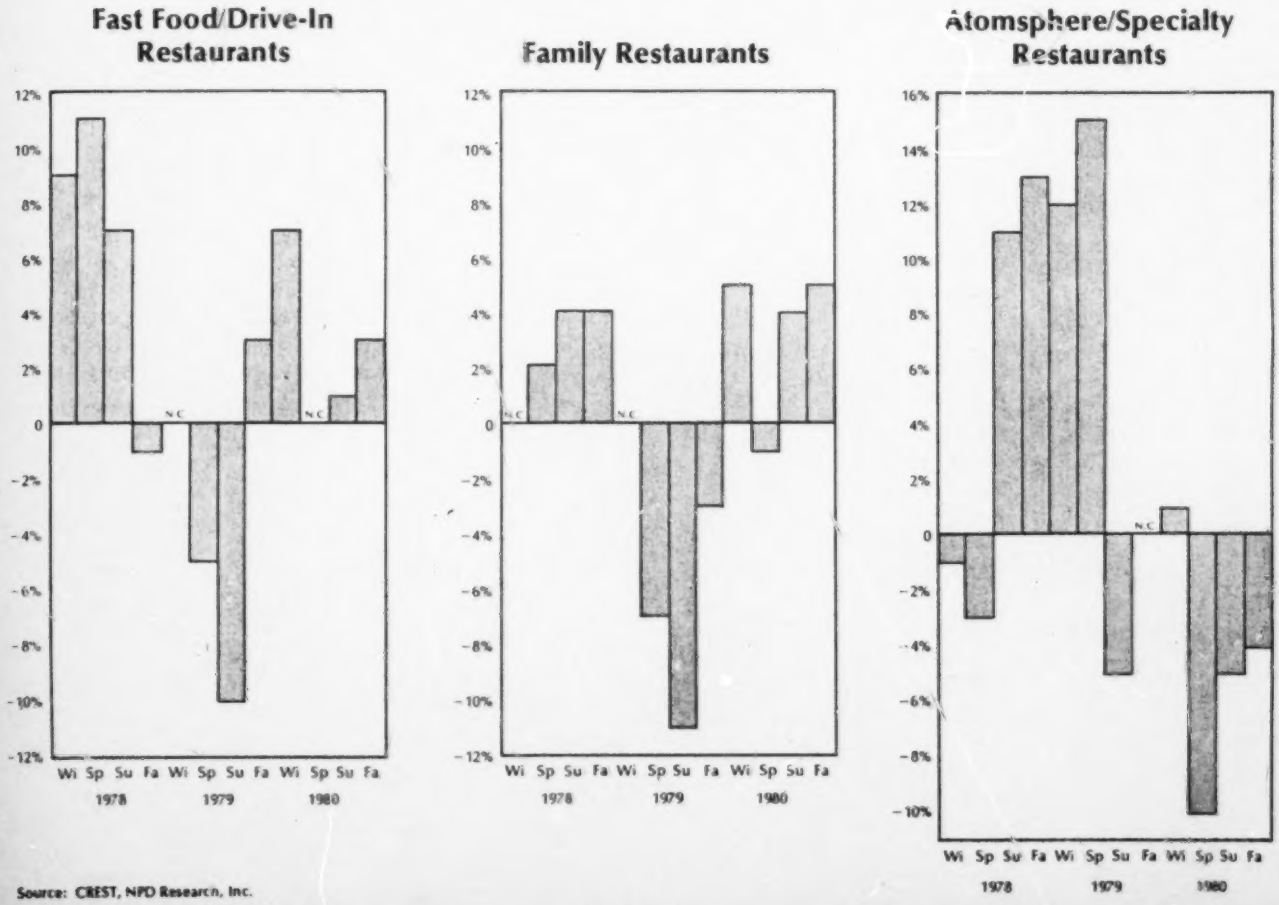
- Breakfast's stellar performance may be tied to changing life styles (less family dining), greater availability of a convenient breakfast, growing nutrition consciousness and a good price/value relationship for the morning meal.
- Supper traffic may have held up relatively well because it is the meal that is least likely to be skipped, it can satisfy a convenience need and it can be a substitute for a potentially greater entertainment expenditure.

Lower Priced Outlets Affected by High Inflation; Higher Priced Ones by the Recession

In early 1979 restaurant operators were faced with substantial increases in their wholesale food costs which they were forced to pass on to their patrons in the form of higher menu prices. CREST analysis reports that this marks the point when industry traffic growth slowed and began to decline. The average check size increased 11.3 percent in the Winter Quarter of 1979 and customer traffic advanced 4.2 percent. In the following quarter (Spring) the average per person check was up 14.4 percent and customer traffic fell 2.4 percent. Restaurants with the most rapid price increases suffered traffic losses earlier than other outlets. Higher priced outlets were minimally affected during high inflationary periods but ultimately experienced traffic declines during a full recession.

Fast food restaurants, which represent the lower priced segment of the industry, were confronted with rapidly rising beef prices in 1978 and 1979. Since beef is a major food product for this group, their average check

Percent Change in Customer Traffic (1978-1980)



Source: CREST, NPD Research, Inc.

size advanced more rapidly than at other types of outlets. The per person check size increased 15 percent in 1978's Fall Quarter and continued to rise at this rate through the Summer of 1979. Consumers resisted these rapid menu price gains and cut back on their visits to fast food restaurants. The worst decline was in the Summer Quarter of 1979 when traffic fell 10 percent, the result of the fuel shortage, a drop in vacation travel and rapidly rising menu prices. Overall restaurant traffic was down a slightly lower 9 percent during this same quarter.

Traffic counts for fast food restaurants rebounded quickly, however, and were positive throughout the recession of 1980. Moderating menu price increases, above average promotional usage and the relatively lower cost of a restaurant meal at fast food outlets contributed to the improved performance in 1980. In addition, consumers may have felt they received more value for their money at these lower priced establishments. Half of the respondents to a 1980 Gallup poll rated the price/value of a meal at a fast food restaurant as excellent or good, up from 47 percent in the prior year. (See *Foodservice Trends*, October 24, 1980.)

Family type restaurants were slower to register double-digit increases in check size than the fast food group. Menu prices rose 16 percent in the Spring Quarter of 1979 and 13 percent in the Summer. As prices rose traffic declined, with a 7 percent drop in the Spring followed by an 11 percent loss in the Summer. CREST attributes these customer count losses to the rise in eater check size, the fuel shortage and the drop in the amount of driving done by U.S. consumers. When menu prices began to moderate in early 1980, traffic improved. Traffic was up 5 percent in the Winter of 1980, experienced a slight drop in the Spring of 1980 and remained positive during the last half of the year. CREST researchers believe that family restaurants may hold traffic better than other restaurant types during a recession as consumers may tend to "trade down" from more expensive restaurants.

Atmosphere/specialty restaurants were least affected by the external economic factors of 1979 because they were able to keep their menu price increases to a minimum. Traffic counts remained positive during the period of high food inflation (late 1978 and early 1979) but did decline 5 percent in the Summer of 1979, probably the result of the fuel shortage. Although greater dependence on upper income families appears to be beneficial to atmosphere/specialty restaurants, they may also benefit from special occasion visits from all families. (See *Foodservice Trends*, March/April 1980.) The broader squeeze on purchasing power brought on by the recession, however, may have caused some consumers to cut back on their visits to higher priced restaurants and others to "trade down" to less expensive outlets. Traffic losses were greatest for this restaurant group during the recessionary period, falling 10 percent in the Spring of 1980, 5 percent in the Summer and 4 percent in the Fall.

Restaurant Expenditures Varied by Family Characteristics

The CREST study found that families where the housewife was under 49 years old curtailed their restaurant spending most during the fuel shortage-high inflation period of 1979, but they also contributed to the industry's softness in 1980. Reduced driving levels as well as decreased purchasing power have been identified as the major factors behind this situation. Families where the housewife is over 65 reduced their restaurant spending more during the period of rapid inflation, but were less affected than other families during the 1980 recession. Periods of inflation may restrict their spending more since many rely on a fixed income. During a recession these families benefit from indexed transfer payments (Social Security) and do not face the possibility of being unemployed because a significant proportion are retired.

White collar families contributed to the industry's downturn in 1979 and 1980. They reacted more to the fuel shortage than other families and controlled their eating out expenditures more in the period following it. The recession appears to have had the greatest impact on blue collar families, however. When the recession began, increases in restaurant spending by this group were below those for other families. A possible reason for this may have been the potential or actual loss of job for blue collar workers.

Two to three member families were affected more than others during the early period of rapid food inflation than the fuel shortage, as their restaurant expenditures lagged the average family's spending increases during that time. Large families were affected more during the full recession, with their restaurant spending declining during the Spring and Summer Quarters of 1980. Perhaps this difference in timing of expenditure cut backs for small and large families is tied to income. Small families, which may be more dependent on retirement incomes and on smaller incomes, experienced an eroding of their purchasing power during the inflationary period. Large families with more members to feed, clothe and house probably felt they could no longer afford the luxury of eating out as often during the recessionary period.

INDEPENDENTS PREDOMINATE IN FOODSERVICE

Although chain unit expansion continues, independent operators still predominate in foodservice. More than 7 out of 10 eating places were operated by independent restaurateurs in 1977, confirming the small business orientation of the industry. A clear definition of just who these independent operators are becomes important since the proportion of establishments in the "independent" group can vary substantially depending on whether or not franchisees who run a single unit are included.

The Independent From Two Perspectives

Bureau of the Census figures for single versus multiunit establishments provide one perspective on the independent operator. (Table I) Included among the single unit data, however, are franchisees who operate only one unit. Although many of these single unit franchisees regard themselves as independent businessmen, not everyone would agree that they are independent operators since their stores are recognized as being part of a multiunit system.

To look at the impact of an independent operator from a second perspective, NRA has prepared a series of estimates which remove single unit franchisees from the single unit totals and include them with multiunit operations. (Table II) These estimates are based on information from the *1977 Census of Retail Trade, Franchising in the Economy* and other sources.

The difference in the definition of independent operator is most pronounced for limited menu restaurants since franchisees are most prevalent in this group. While there were 63,097 single unit limited menu restaurants in 1977, an estimated 14,300 of these were single unit franchisees. Thus, only 48,794 limited menu restaurants were independents in the sense that they neither belonged to a multiunit firm nor were single unit franchisees.

The differing perspectives on independents have a substantial impact on sales as well. While single units captured 59 percent of eating place sales in 1977 (Table III), independents, excluding single unit franchisees, were responsible for approximately 48 percent. (Table IV) Again the difference is most noticeable for limited menu restaurants.

Single units generated 48 percent of total sales for the limited menu group in 1977. Franchisees operating only one unit were responsible for an estimated $4.9 billion of the $9.1 billion single unit sales total. If independents exclude these single unit franchisees, independents captured only 22 percent or $4.2 billion of total limited menu restaurant sales.

As a result of NRA's efforts the 1982 Census of Retail Trade will provide the first firm fix on the independent question from both perspectives. Until this information is available, our estimates highlight the magnitude of the question.

TABLE I
NUMBER OF UNITS,[1] 1977

	Multiunit[3]	Single Unit[4]	Percent Single
Restaurants	13,903	104,993	88%
Fast Food	29,260	63,097	68%
Cafeteria	1,725	5,276	75%
Other Eating Places	8,859	10,615	55%
Total Eating Places	53,747	183,981	77%

TABLE II
NUMBER OF UNITS,[1] 1977

	Multiunit & Franchisee	Independent	Percent Independent
Restaurants	15,732	103,164	87%
Fast Food	43,563	48,794	53%
Cafeterias	1,725	5,276	75%
Other Eating Places[2]	8,859	10,615	55%
Total Eating Places	69,879	167,849	71%

TABLE III
SALES VOLUME, 1977

	Multiunit (000)	Single Unit (000)	Percent Single
Restaurants	$ 7,453,778	$20,115,232	73%
Fast Food	9,949,414	9,102,725	48%
Cafeteria	997,799	798,729	44%
Other Eating Places	3,052,286	1,447,574	32%
Total Eating Places	$21,453,277	$31,464,260	59%

TABLE IV
SALES VOLUME, 1977

	Multiunit & Franchisee (000)	Independent (000)	Percent Independent
Restaurants	$ 8,436,117	$19,132,893	69%
Fast Food	14,811,132	4,241,007	22%
Cafeteria	997,799	798,729	44%
Other Eating Places	3,052,286	1,447,574	32%
Total Eating Places	$27,297,334	$25,620,203	48%

1. Includes establishments with payroll in operation at the end of the year.
2. Includes contract feeders, ice cream and frozen custard stands.
3. Firms having more than one unit.
4. Single units, may be franchisees.

WHOLESALE FOOD PRICES DECLINE SLIGHTLY IN MAY

Wholesale food prices for restaurants declined 0.3 percent in May from the month earlier, according to the NRA Food Cost Index. In comparison, overall wholesale food prices were down 0.5 percent in the same one month period. A decrease in prices for eggs, fish and shellfish, sugar and fresh vegetables contributed to the month-to-month decline. However, a 3.0 percent increase in beef and veal prices between April and May accounts for the slower decline in wholesale food prices for restaurants. (Beef and veal are weighted heavily in our NRA Index.)

Wholesale food prices are expected to rise for much of the remainder of 1981, however. The recent heavy rains in the Mid-Western states have delayed harvesting of the winter wheat crops and spring planting of corn, soybeans and other crops, and the possibility of smaller fresh fruit and vegetable supplies because of infested crops in California. NRA will continue to monitor this situation and report significant developments in *Foodservice Trends*.

In the following paragraphs of this report, we have briefly reviewed the short term outlook for beef, pork, chicken, eggs, vegetables, sugar and dairy products.

BEEF. Beef production increased 6 percent in the first quarter of 1981 from the year earlier. Output is expected to decline 2.0 percent in the second quarter and 1.0 percent in the third quarter, however.

Prices for choice grain fed steers, which provide our industry with choice beef cuts, were $62 per hundredweight in the first quarter, down 7.3 percent from 1980's first quarter. Prices are expected to strengthen to $69 to $72 per hundredweight in the summer and should rise further to $71 to $75 in the third quarter. Second quarter prices will be down about one percent from the year earlier, but third quarter prices will be up nearly 10 percent from last year. USDA expects utility cow prices, which reflect the cost of hamburger grade beef, to continue to move up due to possible declines in supplies of grass fed beef.

PORK. Pork producers have cut their 1981 production sharply in response to the large financial losses they have experienced since mid 1979. Production is expected to decline 8 percent in the second quarter of this year and 7 percent in the third quarter.

Hog prices will increase in response to the reduced output, with prices forecast to average $42 to $45 per hundredweight in the second quarter up from $41.43 in the first quarter. Sharper price advances should occur in the third quarter as production slows. USDA economists believe that third quarter hog prices will average $52 to $56 per hundred weight, an increase of almost 17 percent from the year earlier period and up 23 percent from the prior quarter.

CHICKEN. Chicken output is forecast to be 10 percent higher in the third quarter of this year because chicken producers are raising production in anticipation of lower pork supplies which will help strengthen prices. Chicken prices are expected to average 48 to 51 cents per pound in the second quarter, a 20 percent advance from the 41 cents in the same period last year. Prices will probably strengthen to 53 to 57 cents per pound in the third quarter as total meat supplies decline.

EGGS. Egg producers are still experiencing negative profit margins, resulting in reduced output. First quarter production declined one percent from last year and output in both the second and third quarters is expected to only equal year earlier levels.

Egg prices averaged about 73 cents per dozen in the first quarter of this year, and are expected to weaken to 69 to 71 cents in the second quarter as demand declines. They are forecast to rise to 74 to 77 cents in the third quarter.

VEGETABLES. Prices for fresh vegetables averaged 54.8 percent higher in the first five months of 1981 compared

Commodity Price Index
Percent Change

COMMODITY	1979-1980	May '80-May '81	5 Mos. '80-5 Mos. '81	Apr. '81-May '81
Bakery Products	11.7%	8.5%	8.8%	0.5%
Flour and Cereal	12.3	9.3	10.2	0.6
Beef and Veal	3.2	(1.1)	(3.0)	3.0
Other Meats	(2.7)	17.3	13.7	(1.8)
Pork	(4.0)	24.5	16.7	1.7
Poultry and Eggs	1.0	17.6	14.7	(1.2)
Poultry	2.5	19.8	14.9	5.0
Eggs	(2.8)	13.2	14.1	(15.9)
Fish and Shellfish	(3.2)	8.8	(1.7)	(0.2)
Sugar and Sweets	35.4	(4.6)	14.9	(4.0)
Sugar	49.6	(18.9)	9.3	(7.2)
Vegetables	7.5	25.0	38.9	(5.6)
Fresh Vegetables	8.6	30.6	54.8	(8.1)
Fruits and Juices	4.2	3.7	1.0	1.3
Fresh Fruit	4.1	(6.8)	(8.0)	2.9
Beverages	0.8	(3.7)	(2.8)	0.5
Dairy Products	12.1	7.0	9.3	(0.3)
Fats and Oils	6.4	4.4	4.1	(1.2)
NRA Food Cost Index	**5.0%**	**6.5%**	**6.2%**	**(0.3%)**
All Food, Producer Price Index[1]	**8.0%**	**5.4%**	**7.9%**	**(0.5%)**

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

Sources: *Producer Price Index*, Bureau of Labor Statistics; NRA.

to the same period in 1980 due to the smaller acreage devoted to vegetables and the damaging January freeze in Florida. Prices declined 8.1 percent from April to May, however, because of increased supplies from Florida replantings and from the Southwestern states. Planted acreage is expected to be one percent less this year than in 1980, and if harvested yields approximate 1980's yields, overall vegetable production will be off 3 percent in 1981.

SUGAR. In the first five months of 1981 wholesale sugar prices averaged 9.3 percent higher than in the year earlier period, considerably less than the 33.9 percent increase experienced in the first five months of 1980. However, prices did decline 7.6 percent from April to May of this year.

World sugar production is down 2.4 million pounds this year from last year, and the U.S. Department of Agriculture predicts that output in the Caribbean area, a major sugar production region, will be below last year's crop. With a smaller crop expected, current supplies will probably tighten and put upward pressure on prices, with prices rising to above 20 cents per pound by the end of the year, compared to about 15 cents a pound at the present time.

DAIRY. Wholesale prices for dairy products have averaged 9.3 percent higher in the first five months of 1981 compared with the year earlier period, according to *Producer Price Index* data. Price increases for the remainder of 1981 will be largely dependent on the demand picture as well as changes made by Congress in the dairy price support program. USDA expects overall 1981 dairy product prices to rise 8 to 10 percent.

FOODSERVICE SALES PANORAMA NOW AVAILABLE

The National Restaurant Association is pleased to announce the availability of its *Foodservice Sales Panorama*. This new 47 page report features industry food and drink sales and purchases for over 50 segments for the period from 1970 through 1980. Also included are many detailed tables with information on alcoholic beverage sales, wholesale food prices, menu prices, employment and earnings, sales by state and other pertinent economic data.

Persons wishing to order *Foodservice Sales Panorama* can complete the attached order blank. The purchase price is $25 for members and $40 for non-members. (Please specify order number when ordering *Foodservice Sales Panorama:* CS-020 for members and CS-021 for non-members.)

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NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

Volume 3, Number 5
August, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

In This Issue:

- ***Market Research For The Restaurateur* Is Now Available.**
- **Teen Market Important To Restaurant Industry.**
- **Study Reveals College Students Eat Out Frequently.**
- **CREST Report: Customer Traffic Posts Best Performance Since 1978.**
- **NRA Publishes New Operating Ratio Report.**
- **Franchisors Report Slower Sales Growth For ice Cream Stores And Donut Shops In 1979.**
- **Wholesale Fruit And Vegetable Prices Not Expected To Be Affected By Fruit Fly Infestation.**
- **Market Research Group To Meet And Discuss Research Techniques For Menu Development.**

MARKET RESEARCH FOR THE RESTAURATEUR IS NOW AVAILABLE

The National Restaurant Association is pleased to announce the availability of its newest publication, *Market Research For The Restaurateur.* This publication is a practical handbook that shows the non-professional how to do enough market research to assist in making operational and promotional decisions and to do it in a professional and unbiased manner.

The Handbook contains step-by-step approaches to doing many types of market research, based on sound principles that have been adapted to meet the specific situations and needs of restaurateurs. Numerous examples are given to aid the operator in understanding the use and application of each research method. Included are sample worksheets and analysis forms that can be easily duplicated. An especially appealing feature of the book is the NRA Consumer Attitude Questionnaire which operators are encouraged to use when studying how their customers perceive their restaurants. Completed questionnaires can be sent to the National Restaurant Association for computer analysis and a report will be returned to the operator.

Readers interested in obtaining a copy of *Market Research For The Restaurateur* can do so by completing the attached order blank. The cost of this book is $17.50 for members and $35.00 for non-members. (Please specify order number CS200 for members and CS201 for non-members.)

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Expiration Date Month Year

Signature

NRA Member ☐ Yes ☐ No

NRA INTRODUCING NEW PUBLICATION IN OCTOBER

The National Restaurant Association will introduce a new publication in October to be called *NRA NEWS*, and it will combine all the regular features now published in *Foodservice Trends*, *Washington Report* and *NRA NEWS*. This 40-page publication will be published on a monthly basis and will highlight all the news of the industry in a fashion which has not been previously possible. In addition, this will help consolidate some of the numerous mailings to the NRA membership.

The 12-page "Foodservice Trends" section of the new *NRA NEWS* will contain all the same information and analysis which we now publish, including CREST data, wholesale food prices and supplies, consumer trends and reports on the overall state of the industry. The section will be easily identifiable, and often readers will be able to find other distinctive feature articles and legislative stories which will be related to the economic and statistical data presented in "Foodservice Trends." For example, our 1982 industry sales and economic forecast will be featured in the December issue, and other articles will highlight commentaries on the 1982 outlook from a legislative and operator perspective.

TEEN MARKET IMPORTANT TO RESTAURANT INDUSTRY

Teenagers are a formidable market force in our economy today, and they are particularly important to the restaurant industry. Personal spending by teens totalled $39.1 billion in 1980, an increase of 8.6 percent over 1979 according to results of a nationwide survey conducted in April 1981 by the Rand Youth Poll. Almost fifteen percent of their total expenditures, or $5.6 billion, was spent on food and snacks. Expenditures for movies and entertainment, which probably include some money spent for food and beverages at movies, sporting events and dating, equaled an additional $7.4 billion. It is especially notable that total spending by teenagers reached a record high in 1980 despite a decline in the teen population of 2.5 percent between 1979 and 1980.

The number of persons 13 to 19 years old began increasing rapidly in the early 1950's, but the group was generally thought to have little market potential. As their numbers increased and the nations' prosperity grew, teens had more money to spend. Marketers recognized the economic potential of the teenage population and began to offer them a variety of goods and services such as transistor radios, stereos and the joys of eating out. The youth market continued to grow due to the increase in the youth population, improvement in the national prosperity which has provided this age group with increased income, greater teenage influence on household expenditures and an awareness and copying of youth styles and fashion by adults.

The current teen market is important to the national economy and particularly to the foodservice industry because of the amount of money these young adults spend and the highly discretionary nature of their spending. Teens provide restaurant operators with an affluent and viable market for targeting their advertising dollars. In addition, persons in this age segment have an influence on household expenditures, and their opinion can weigh heavily when the family is deciding whether to eat out and which restaurant to visit.

Teens Important To Certain Segments of The Industry

The teenage market is more important to some segments of the restaurant industry than others, and this is especially true for fast food and take out restaurants. Those in the 13 to 17 age group accounted for 6.7 percent of total sales at fast food restaurants in the 1980 CREST year (September 1979 to August 1980) and 6.6 percent of sales at take out restaurants. On the other hand, they accounted for a relatively smaller proportion of sales at cafeterias and coffee shops, 3.9 percent and 3.3 percent, respectively.

Average Weekly Expenditures by Teens in 1980

	Total Expenditures	Food and Snacks	Percent of Total	Movies and Entertainment	Percent of Total
13 to 15 Years					
Males	$ 16.00	$ 4.80	30.0%	$ 3.75	23.4%
Females	17.15	3.15	18.4%	2.70	15.7%
16 to 19 Years					
Males	33.70	4.20	12.5%	8.45	25.1%
Females	35.10	2.65	7.5%	4.05	11.5%
Total	$101.95	$14.80	14.5%	$18.95	18.6%

SOURCE: Rand Youth Poll, April, 1981.

Spending Habits Vary by Age and Sex

The Rand Youth Poll survey revealed that teen spending habits vary by age and sex. Total spending by those in their high teens, age 16 to 19, exceeded that of those

in their low teens, age 13 to 15, and females in both age groups outspent males. (See accompanying chart.) Total spending by teenagers averaged $101.95 per week in 1980, and expenditures for food and snacks accounted for 14.5 percent of the total or $14.80 per week. Spending for movies and entertainment, which could include money spent for food and beverages at movies, sporting events and dating, averaged $18.95 per week or 18.6 percent of total spending by teens.

Total weekly expenditures by females age 13 to 15 were higher than their male counterparts in 1980, $17.15 compared to $16.00. Female teenagers are greater impulse buyers than males, and shopping is one of their primary activities while males frequently avoid this activity. The large amount of money females spend on personal appearance items also explains the difference in spending between young teenage males and females.

Males in their low teens spent an average of $4.80 per week, almost one third of their total, for food and snacks and another $3.75 on entertainment, while expenditures for these items by females were considerably less. Females aged 13 to 15 spent an average of $3.15 per week on food and snacks and $2.70 for movies and entertainment. The largest portion of total purchases by females was for clothing, jewelry and cosmetics, allocating nearly half of their total spending, an average of $8.35 per week, for these items. Young teenage males spent a significantly lesser amount of $3.10 per week on these personal items.

Spending patterns by teens age 16 to 19 years were similar to those in their lower teens, with females spending an average of $35.10 per week compared to $33.70 for males. As noted earlier, spending for personal appearance items by females is greater than by males and is a significant factor contributing to their larger total spending.

Males in their high teens devoted the largest portion of their expenditures for food and snacks and movies, dating and entertainment. In 1980, they spent an average of $4.20 per week on food and snacks and $8.45 for movies, dating and entertainment. When expenditures for these two activities are combined, they account for 37.5 percent of total spending by males in this age group. Expenditures for clothing and grooming items were greater for males age 16 to 19 than for those in their low teens, increasing significantly from $3.10 per week to $8.55.

Females in their high teens also allocated a larger portion of their total expenditures for clothing and grooming items than their younger counterparts, averaging $20.60 per week. They spent less, however, on food and snacks per week than females in their low teens, $2.65 versus $3.15, but spent more on movies and entertainment, $4.05 compared to $2.70.

A significant portion of teen income comes from earnings, according to the results of this Rand Youth Poll survey. Teens earned an average of $68.20 per week, or almost 55 percent of their total income. The remaining portion is from allowances, probably for doing household chores. The large percentage of income derived from earnings indicates that many teens probably have a part-time job, and this can be an important factor to the restaurant industry. Teenagers may find it easier and more convenient to eat out while at work, and because they earn such a large share of their income, they may be more inclined to spend it on more discretionary items such as food, snacks, movies and entertainment.

Teens Have Considerable Influence on Family Household Expenditures

Teenagers today are more sophisticated than in the past as new technologies have enabled them to acquire facts and knowledge more easily. This increased knowledge and sophistication is reflected in the greater influence teens have on family spending decisions. According to the results of the Rand Youth Poll, nearly four out of ten teens indicated that they were consulted a great deal of the time when important family decisions were being made and three out of ten said they were consulted some of the time. Only 27 percent indicated they were not consulted at all.

This greater influence of teens in the home is important to the restaurant operator because they may affect the family's decision to eat out and the choice of restaurant. Advertising dollars targeted toward the teenage market could be a significant factor in attracting the entire family to a restaurant.

NRA FOODSERVICE TRENDS

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Rachel A. Zachary	Research Associate

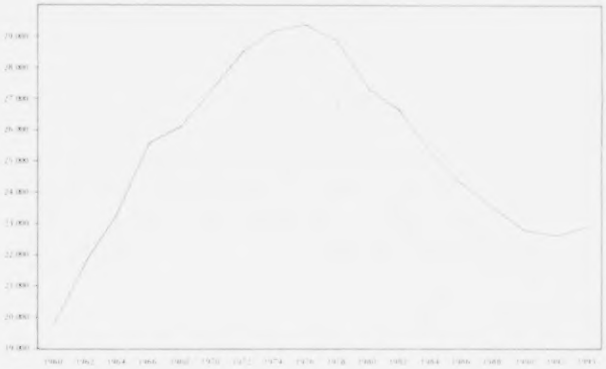
Teens Provide Restaurant Industry With a Growth Market

The affluence of the teen population has been increasing in the past several years. Spending by this age group, 13 to 19 years, rose more than 50 percent from $26.1 billion in 1976 to $39.1 billion in 1980 despite a 6.6 percent decline in the teen population during the same period.

The teenage population has been steadily decreasing since 1975, and this trend is projected to continue through 1990, with overall teenage population dropping 17 percent. (See accompanying chart.) Teenagers will continue to be a strong market force, however, as their numbers are not expected to fall below 22.5 million during this decade. By 1992, the number of persons age 13 through 19 will begin increasing, the result of higher birth rates in the late seventies.

The size of the teenage population will make it a formidable market force throughout the 1980's, and new spending records should be set. If past trends continue with regard to teen spending, the NRA believes total expenditures by this segment could reach $89.1 billion (current dollars) in 1990 compared to $39.1 billion in 1980. Even more importantly, the amount spent on food and snacks by these young adults could reach almost $13 billion by the end of the decade, more than double the $5.6 billion spent on these items by teens in 1980. Teenagers, because of their sheer numbers and their affluence, will continue to provide the foodservice industry with an excellent growth market.

Teenage Population 1960-1993*



*1981-1993 Population Figures Are Projections.

SOURCE: U.S. Department of Commerce Bureau of the Census, Rand Youth Poll, April 1981.

STUDY REVEALS COLLEGE STUDENTS EAT OUT FREQUENTLY

Results from a survey by Communications and Advertising Services to Students (CASS) of 500 college students found that students dine out frequently, with 75 percent of the students surveyed indicating they had visited either a fast food or full service restaurant in the past seven days.

More students dined at fast food restaurants than at full service restaurants, sixty percent versus fifty-eight percent. In addition, students are more likely to eat at fast food restaurants than at full service restaurants. The survey conducted in 1979 reported that 26 percent had eaten at a fast food establishment two or more times in the past week, while only 18 percent had visited a full service restaurant 2 or more times. One reason fast food restaurants may be so popular among college students is their lower check average. According to 1980 CREST information, the average per person check size at fast food restaurants was $1.60 compared to $3.22 at a full service restaurant.

The survey reported that college students are big snack eaters. Seventy-nine percent of those surveyed had purchased candy in the past year and 89 percent had purchased a snack other than candy. Beer is the favorite alcoholic beverage among college students, with 68 percent of those surveyed having purchased it in the past year.

College Students Frequency of Eating Out in Past Seven Days

	Fast Food Restaurant	Full Service Menu Restaurant
Total Eating out in Past Week	60%	58%
One or More Times	22	35
Two or More Times	26	18
Four or More Times	7	3

SOURCE: Communications and Advertising Services to Students, 1979.

The study also revealed that the best way to get the college student's attention was by advertising in a college newspaper or on the radio. Seventy-nine percent of the students surveyed had read their college newspaper in the past seven days versus 63 percent who indicated they had read a daily city newspaper in the same time period. College students listen to the radio more than they watch television. Nearly four out of ten had listened to the radio at least half an hour to two hours the day earlier while 12 percent had not listened to the radio at all. Only one out of five students surveyed had watched television from one to two hours the day earlier and 40 percent said they had not watched any.

NATIONAL RESTAURANT ASSOCIATION

CREST REPORT

Quarterly Supplement to
Foodservice Trends
August, 1981

CREST Highlights

- **Customer traffic at the nation's restaurants experienced the largest increase in over two years in the Spring Quarter, up 5.3 percent from the same period last year.**
- **Families returned to the eating out market in the most recent CREST period, particularly at fast food and family restaurants.**
- **Restaurant industry sales also posted the largest gain in over two years, increasing 16 percent in the Spring Quarter from the same period in the prior year.**
- **Promotional usage continues at a high level with 9.4 percent of the occasions involving a promotion in the Spring Quarter compared to 8.7 percent of the occasions last Spring.**
- **Fast food and family restaurants had the largest gains in customer traffic in the most recent CREST Quarter, with increases of 9.9 percent and 8.3 percent, respectively.**
- **Customer traffic rose for each meal occasion in the Spring Quarter with breakfast experiencing the largest gain of 9.7 percent.**

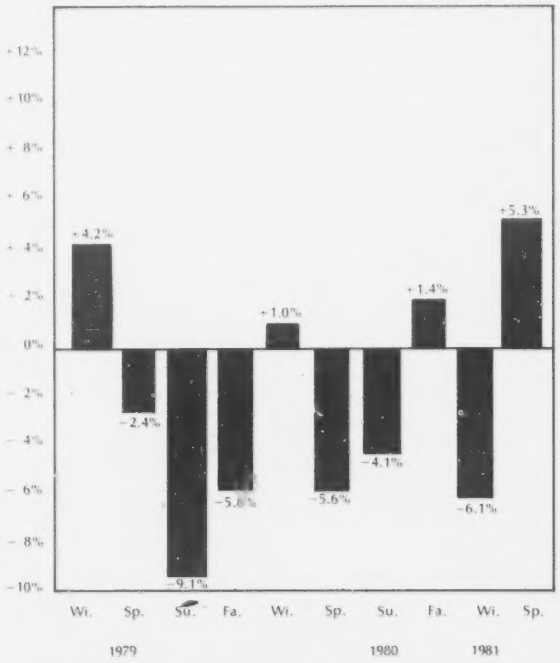
CUSTOMER TRAFFIC POSTS BEST PERFORMANCE SINCE 1978

Restaurant customer traffic posted the largest increase in over two years in the Spring Quarter (March, April, May) and may signal the beginning of a recovery for the industry. According to CREST information, traffic increased 5.3 percent in the most recent period from the same period in the prior year for the largest gain since the Fall Quarter of 1978 when traffic rose 6.2 percent. The advance in the Spring Quarter is considerably stronger than previous gains of 1.0 percent in the Winter Quarter of 1980 and 1.4 percent in the 1980 Fall Quarter when many thought that the industry was recovering from its downturn.

The improved performance in the most recent CREST Period is also significant because it affects nearly all segments of the industry, with traffic counts increasing at fast food, family and atmosphere/specialty restaurants as well as for each meal occasion. The traffic gains in the Spring Quarter recouped some of the loss experienced during the past two years, but overall patron counts are still not at their 1978 levels.

The improvement in commercial restaurant sales and traffic will most likely continue through the summer. Gasoline prices have moderated, and according to the Conference Board's survey of vacation intentions, consumers will be taking comparatively more vacations during the summer months. Readers are reminded that summer vacation travel, depressed during the past two years because of a shortage of gasolines supplies and high gasoline prices, had a negative impact on the industry. Preliminary sales figures for eating and drinking places from the Bureau of the Census indicate that in-

Percent Change in Quarterly Customer Traffic (Winter '79-Spring'81)



*Percent Change is from same month in prior year.

SOURCE: U.S. Department of Commerce, Bureau of the Census.

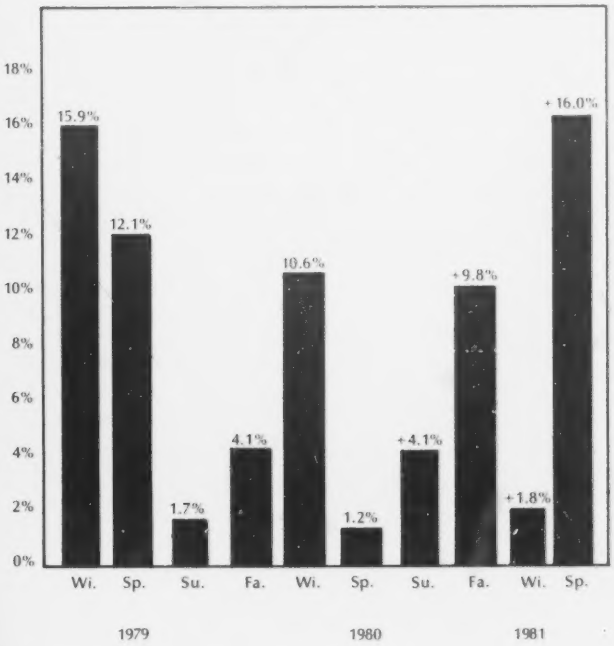
dustry sales are improving. Eating and drinking place sales were up 11.1 percent in the first six months of this year compared with a 10.2 percent gain in the same period in 1980. With menu prices averaging below ten percent, the industry is finally experiencing significant real sales gains. The National Restaurant Association predicted that industry sales in real terms would show a small gain in 1981 for the first time in two years. (See December, 1980 *Foodservice Trends*.)

Frequency of Eating Out Increases

Families returned to the eating out market in the Spring Quarter, with visit frequency, the number of times each restaurant patron family goes to a restaurant, increasing 3.1 percent. This is a considerable improvement over the previous quarter's 7.1 percent decline and is the first advance since the Spring Quarter of 1979. The traffic gain in the most recent CREST period was also the result of an increase in the number of families eating out, with many families finally returning to the eating out market.

When visit frequency by restaurant type is analyzed, most of the gain can be attributed to the 6.1 percent advance in the number of visits to fast food restaurants. Families were also eating out more often at family restaurants and cafeterias as the number of visits were up 2.1 percent and 3.1 percent, respectively. On the other hand, visit frequency at atmosphere/specialty restaurants declined.

Percent Change in Quarterly CREST Sales (Winter '79-Spring '81)



Sales based on total U.S.; average for 2 week period each quarter.

SOURCE: CREST.

Industry Sales Post Largest Gain in Two Years

Restaurant industry sales experienced the largest advance this Spring Quarter in over two years. The 16 percent rise in the most recent CREST period is a substantial improvement over the previous quarter's gain of only 1.8 percent. The average expenditure for a restaurant meal or snack (Eater Check Size) increased 10.1 percent for all restaurants in the Spring Quarter for the first double-digit rise in check size since the Fall Quarter of 1979. The advance in the most recent CREST period is probably the result of changes in the number and type of menu items ordered by patrons. According to CREST information, consumers ordered more menu items as well as more expensive ones in the Spring Quarter.

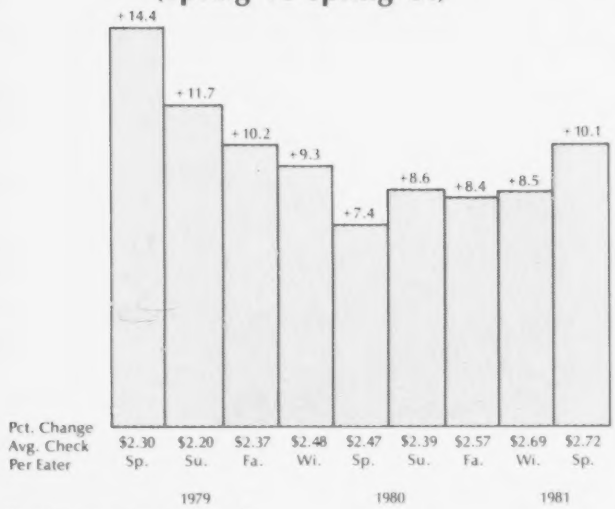
The increase in the number and type of menu items ordered by consumers can probably be attributed to the improvement in their economic well-being in recent months. The inflation rate (as measured by the Consumer Price Index) slowed considerably, from 11.6 percent in the Winter Quarter to 9.4 percent in the most recent CREST period. Consumers also experienced stronger growth in their real disposable personal income and were probably willing to spend more on discretionary items such as eating out. The Conference Board's Index of Consumer Confidence, which is a good barometer of consumer attitudes on business conditions, has been rising steadily for the past four months and reflects the improvement in the economic well-being of the public.

Promotional Activity Continues at High Level

Restaurant operators are continuing to use promotions as a means of increasing customer traffic. In the Spring Quarter 9.4 percent of the meal occasions involved a promotion compared to 8.7 percent of the occasions in the same quarter last year.

A look at promotional usage by restaurant type shows that fast food, family and take out restaurants have the highest proportion of use. Promotional usage at fast food restaurants increased from 11.1 percent of the occasions in the Winter Quarter to 12.0 percent in the most recent CREST period. At family and take out restaurants, promotions were utilized at 8.5 percent and 6.8 percent of the occasions, respectively.

Average Per Person Check*
(Spring '79-Spring '81)



*Based on average two week period

SOURCE: CREST.

Fast Food and Family Restaurants Post Large Traffic Gains

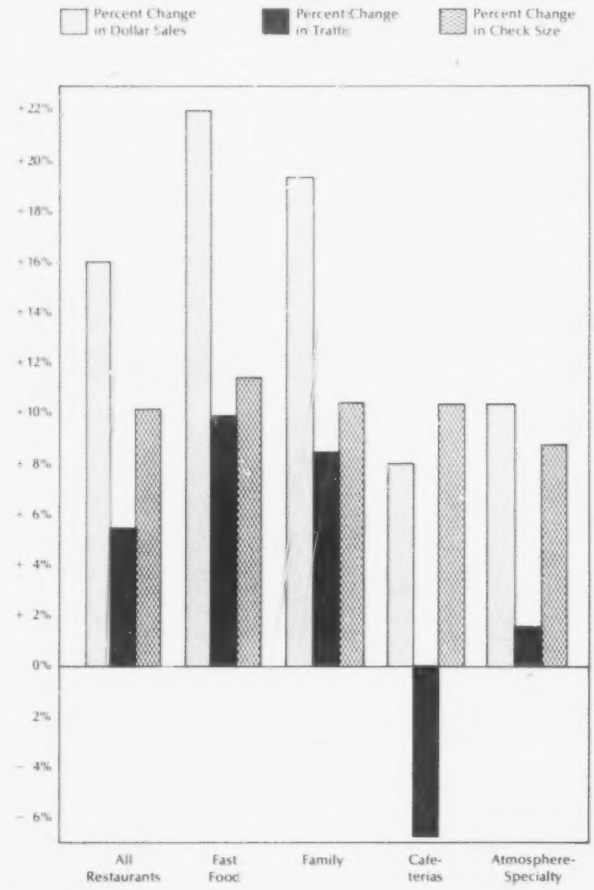
Customer traffic rose dramatically at fast food and family restaurants in the most recent CREST quarter. An increase in the number of visits to these restaurants by families and more families eating out at these restaurant types contributed to much of the gain. The strong growth in visit frequency and market penetration for these restaurant types may be the result of "trading down" by families to lower price restaurants as consumers are still very much aware of the price/value relationship of a meal eaten out. (See July 1981 *Foodservice Trends*.)

Fast food restaurant traffic increased 9.9 percent in the Spring Quarter from the same period in the prior year, representing the largest advance for this restaurant type since the Summer Quarter of 1978 when traffic was up 7 percent. Fast food restaurants had a high percentage of promotional usage in the Spring Quarter, accounting for 12 percent of the occasions. This heavy promotional activity by restaurant operators may account for some of the increase in the number of visits by families as well as the rise in the number of families eating out at fast food restaurants. The average check size for fast food restaurants increased at a faster rate than for all restaurants in the Spring Quarter, 11.4 percent versus 10.1 percent, however.

Customer counts at family restaurants increased 8.3 percent in the Spring Quarter from the same period a year ago, a considerable improvement over the previous quarter when traffic was down 1.5 percent. The per person check size rose 10.4 percent for family restaurants in the March-April-May period, slightly faster than the 10.1 percent advance for all restaurants. Families were visiting this restaurant type more often in the Spring Quarter as visit frequency advanced 2.1 percent from the same period a year ago and the proportion of families eating out at family restaurants was up as well. These gains were significant factors contributing to the better performance for this restaurant type in the March-April-May period.

Traffic at atmosphere/specialty restaurants was up 1.4 percent in the most recent quarter from the same period a year ago. Visit frequency for this restaurant type declined 1.9 percent, but more families were eating out at atmosphere/specialty restaurants, causing the slight increase in traffic. Cafeterias, coffee shops and take out restaurants experienced a drop in customer counts in the Spring Quarter. Fewer families eating out at these restaurant types, a decline in visit frequency and above

Spring Quarter Performance by Select Restaurant Type



SOURCE: CREST.

average increases in the per person check size contributed to the drop in customer traffic. (CREST still has some reporting difficulties with these restaurant types, especially for cafeterias, which may account in part for their poor performance.)

Traffic Increases for all Meal Occasions

Traffic increased for each meal occasion in the most recent CREST period primarily because more families were eating out. This probably reflects the better economic conditions in recent months and may be a sign of improved industry performance throughout 1981. Customer traffic counts for breakfast rose 9.7 percent in the Spring Quarter from the same period a year earlier versus a decline of 1.4 percent in the Winter Quarter. Breakfast was the only meal occasion to experience growth in traffic during the weakened economy, and the strong gain in the most recent CREST period indicates that this growth may continue.

Supper traffic increased 6.3 percent in the Spring Quarter from the same period in the prior year, compared to a decline of 4.6 percent in the Winter Quarter. Families returned to the eating out market for the evening meal, with visit frequency increasing 4.7 percent. In addition, more families were eating out for this meal occasion. Supper experienced the slowest rise in average check size for any meal occasion, up 8.3 percent. Because of the moderate increase in check size, consumers could have perceived a better price/value relationship for the evening meal and may account for more families eating out for this meal period.

Restaurant traffic for the noon-day meal increased 2.4 percent in the Spring Quarter from the same period in the prior year for the first advance in patron counts in over two years. The poor performance over the past two years is attributed to the easy alternatives provided for savings such as skipping, "brown bagging," or eating at work or school cafeterias, which are not covered by the CREST survey. (See July 1981 *Foodservice Trends*.) The improved performance in the most recent CREST Quarter, however, is attributed to the increase in the number of families eating out for the mid-day meal.

Customer counts for snacking occasions experienced the largest increase in the Spring Quarter since the Winter Quarter of 1979. The 5.3 percent gain in the Spring Quarter is attributed to more families eating out for this meal occasion as well as an increase in their number of restaurant visits. The strong advance in the most recent CREST period may also be a signal for improved industry performance. CREST studies show that snacking, which is the most discretionary meal occasion, will be the first to experience a decline in traffic counts at the onset of a weak economy and probably will remain depressed until economic conditions improve. (See July, 1981 *Foodservice Trends*.)

WHAT IS CREST

Launched in September 1975, the CREST (Consumer Reports on Eating Share Trends) survey is designed to track expenditures and behavior in the commercial segment of the foodservice industry. While the study does track chain trends, a great deal more is available including information by type and classification of restaurant and also by meal or snack period.

Some 10,000 families, or approximately 30,000 persons, are chosen to reflect the U.S. and participate in the study. Each family is asked to record restaurant experiences for a particular two week period for each of the four quarters during the year. Because the study is repetitive, it allows an excellent opportunity to follow changing trends.

In order to properly complete the CREST diary, several steps are involved. Step 1 requires a daily entry for each meal during the two week period for each household member. Whenever the code for restaurant purchases appears, the participant is asked to elaborate on the occasion by making further entries in the diary.

The second portion of the diary is used only if a household member ate or obtained food prepared away from home in establishments such as restaurants, hotels and motels, fast food drive-ins, delicatessens, refreshment stands, carry outs, coffee shops, donut shops, ice cream shops or eating places inside variety stores or other retail stores. The diary will *not* include any meals eaten at schools, hospitals, colleges or other institutional feeding places. When the two week reporting period is complete, the diary is returned to NPD Research, Inc.

The CREST study is a joint effort of individual foodservice organizations acting in concert to fund a study perhaps beyond the economic reach of any of the individual participants. The NRA is solely a participant in this study and not a sponsor. Readers wishing more information on how to participate in the CREST study should contact NPD Research, 9801 West Higgins Road, Rosemont, Illinois 60018.

The CREST study is designed to provide information on customer behavior, not attitudes. This study will, therefore, provide the user with information on how much people spend, where they spend, what they spend on, etc. It will not tell people's attitudes toward a particular issue. It will, because it is an ongoing study, allow comparison against a standard or the development of trend analysis, and enable the operator to make decisions based on documented trends rather than casual observation.

NRA PUBLISHES NEW OPERATING RATIO REPORT

In response to frequent inquiries from members of the foodservice industry and investors who seek information on the financial and operating data of the nation's restaurants, the National Restaurant Association has published *Restaurant Operations Report '81*. This annual study, conducted jointly by the NRA and the international accounting firm Laventhol & Horwath, contains several new features which were not available in the *'79 Report*. The information for the study was supplied by NRA members, and the analysis was performed by Laventhol & Horwath.

This comprehensive study of 1980 operating results for restaurants includes specific financial information on full and limited menu restaurants with tableservice, limited menu restaurants without tableservice (fast food) and, for the first time, cafeterias. Information is given for restaurant type, location, years of operation, sales size as well as for a new breakdown this year—menu theme. We have divided the report into two sections—one for restaurants serving food only and the other for restaurants serving both food and alcoholic beverages.

The accompanying table is a sample of the information included in this valuable report. The same data is available for full menu and limited menu restaurants as well as for restaurants serving food only. Other information presented in the publication include:

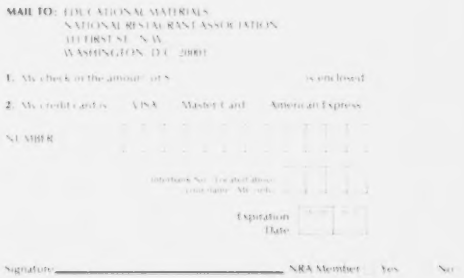
- Breakdown of payroll expenses by function
- Return on assets ratios
- Total cost of sales
- Breakdown of administration, advertising, utilities and direct operating expenses.

Restaurant Operations Report '81 will be available in early September at a cost of $10.00 for NRA members and $20.00 for non-members. Readers who wish to order this report can do so by completing the attached order blank. Members please specify order number CS 950 and non-members specify order number CS 951 when ordering this publication.

1980 Income and Expense Ratios for all Restaurants Serving Food and Alcoholic Beverages

(Expressed as a percent of sales)

INCOME	
Food Sales	71.1%
Beverage Sales	27.8%
Other Income	1.1%
Total	100.0%
EXPENSES	
Cost of Sales	
Food	29.6%
Beverage	7.1%
Total	36.7%
Controllable Expenses	
Payroll	27.5%
Employee Benefits	4.8%
Direct Operating Expenses	6.5%
Music and Entertainment	0.9%
Advertising and Promotion	1.9%
Utilities	2.5%
Administrative and General	5.4%
Repairs and Maintenance	1.7%
Occupation Costs	
Rent, Property Taxes, Insurance	4.8%
Interest	0.9%
Depreciation	2.3%
NET INCOME	
Net Income Before Income Taxes and other Additions and Deductions	4.9%
Other Additions and Deductions	(0.4%)
Net Income Before Income Tax	4.5%



FRANCHISORS REPORT SLOWER SALES GROWTH FOR ICE CREAM STORES AND DONUT SHOPS IN 1979

Franchise Ice Cream Stores and Donut Shops are two important components of the foodservice industry. In 1979, they had combined sales of over $1 billion. The Commerce Department, in *Franchising in the Economy*, classifies these establishments as "Food Retailers Other than Convenience Stores" and as a result, their sales are not included in the $24.8 billion total recorded by franchise restaurants in 1979. (For the 1979 Franchise Restaurant Report, see March, 1981 *Foodservice Trends*.) We will present highlights of the 1979 sales and establishment data for franchise Ice Cream Stores and Donut Stores in this report.

Franchise Ice Cream Store Sales Up 6.4 Percent

Sales for franchise Ice Cream Stores increased 6.4 percent in 1979, according to the Department of Commerce Report, *Franchising in the Economy, 1979-1981*. This is considerably less than 1978's gain of 51 percent, and is due primarily to the substantial drop in sales at company owned establishments as well as a decline in the number of units which fell from 5,960 in 1978 to 5,355 in 1979. Respondents are forecasting stronger sales growth in 1980 and 1981 of 12.5 percent and 13.3 percent, however. Sales at company-owned ice cream stores decreased 32 percent in 1979 and are expected to decline 9.5 percent in 1980 as well, but a slight increase of 2.2 percent is projected in 1981. Sales for franchisee-owned units increased almost 9 percent in 1979 and franchisors predict stronger growth of 13.3 percent in 1980 and 13.6 percent in 1981.

In 1979, the number of outlets of franchise Ice Cream Stores declined 10.2 percent. Respondents forecast an increase of 5.1 percent in 1980 and a substantially higher 13.7 percent gain in 1981. Franchisee-owned unit growth is projected to be stronger than that for company owned units in the next years. Franchisee-owned establishments are estimated to advance 5.6 percent in 1980 and 13.8 percent in 1981 compared to a decline of 17 percent in 1980 and a slight gain of 1.1 percent in 1981 for company-owned units.

Franchise Donut Shop Sales Equal $555 Million

Franchise Donut Shop sales totaled $555 million in 1979, an increase of 8 percent from the year earlier. This gain is considerably slower than the 31 percent advance recorded in 1978 and the fact that no new franchise firms entered this category in 1979 probably contributed to the poor sales performance. Company-owned unit sales increased 17 percent in 1979 compared to the much slower 7 percent gain recorded for franchisee-owned units. Respondents predict that this trend will continue in 1980 and 1981 primarily because of the stronger unit expansion forecast for company-owned units. Overall, sales for franchise Donut Shops are estimated to increase 8.5 percent in 1980 and 10.8 percent in 1981.

The number of franchise Donut Shops increased from 2,244 in 1978 to 2,317 in 1979, a 3.2 percent gain. Franchisors predict the number of units will increase 5.1 percent in 1980 and 6.5 percent in 1981.

Ice Cream Store and Donut Shop Sales and Establishments, 1979-1981*

	Ice Cream Stores	
	Sales (000)	Establishments
1979	$598,509	5,355
1980	673,380	5,630
1981	762,935	6,399

	Donut Shops	
	Sales (000)	Establishments
1979	$555,058	2,317
1980	602,546	2,436
1981	668,015	2,595

*1980 and 1981 estimated by respondents.

SOURCE: U.S. Department of Commerce, Service Industries Division, *Franchising in the Economy, 1979-1981*.

WHOLESALE FRUIT AND VEGETABLE PRICES NOT EXPECTED TO BE AFFECTED BY FRUIT FLY INFESTATION

The infestation of fruits and vegetables in certain sections of northern California by the Mediterranean fruit fly will probably have a minimal effect, if any, on wholesale prices of these commodities, according to U.S. Department of Agriculture economist Jules Powell. Prices may increase slightly in the five Southern states (Texas, Florida, South Carolina, Alabama and Mississippi) that had banned California fruit and vegetables to protect their own crops. These quarantines have been lifted, however, and probably did not last long enough to have any significant effect on prices.

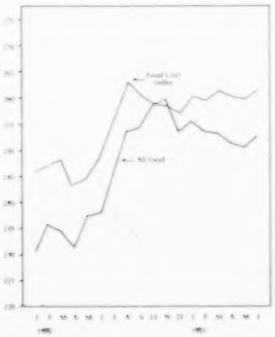
The outbreak of the fruit fly occurred in an area where there is no commercial production, and according to Powell, spraying pesticides has prevented it from infesting the major producing areas in the San Joaquin and Sacramento Valleys. Since half of the nation's fruit and vegetable supplies are from California, the infestation could have had a detrimental impact on the foodservice industry. Fresh, canned and frozen fruits and vegetables are important commodities to the restaurant industry, accounting for a combined 11.7 percent of the industry's food purchases. Any significant increase in wholesale prices for these commodities may have resulted in sharply higher food prices for restaurant operators just as the industry was beginning to recover from its economic slump. (See CREST quarterly supplement to this issue.)

Wholesale Food Prices Increase Slightly in June

Wholesale food prices for restaurants advanced 0.6 percent in June from the month earlier according to the NRA Food Cost Index. On the other hand, overall wholesale food costs were up a slightly larger 0.7 percent during the same period. Sharply higher pork prices, up 11.6 percent between May and June, along with a rise in prices for poultry, eggs and sugar contributed to the recent increase in food costs.

During the first six months of this year, food prices for restaurateurs at the wholesale level have averaged 6.3 percent higher than in the first six months of last year. In comparison, wholesale food costs for restaurants advanced only 5.0 percent for all of 1980. Increased prices for fresh vegetables, poultry, pork, dairy products and bakery products so far this year have put upward pressure on food costs for our industry. Restaurant operators should be prepared for a continued rise in their wholesale food costs for much of the remainder of 1981. U.S. Department of Agriculture economists expect prices for many commodities to rise more rapidly during the last half of this year than in the first half. This is especially true for beef, pork and chicken, where decreased supplies and producers' desires for improved profit margins will result in higher prices.

NRA's Food Cost Index vs. All Food, Producer Price Index



SOURCE: Bureau of Labor Statistics, Producer Price Index; NRA.

Commodity Price Index Percent Change

COMMODITY	1979-1980	June '80-June '81	6 Mos. '80-6 Mos. '81	May '81-June '81
Bakery Products	11.7%	8.4%	8.2%	0.5%
Flour and Cereal	12.3	10.6	7.2	NC
Beef and Veal	3.2	(2.1)	(2.8)	NC
Other Meats	(2.7)	25.3	15.6	9.1
Pork	(4.0)	34.3	19.6	11.6
Poultry and Eggs	1.0	20.4	15.6	2.4
Poultry	2.5	20.9	15.9	1.2
Eggs	(2.8)	18.9	(1.6)	5.8
Fish and Shellfish	(3.2)	8.9	(13.8)	0.1
Sugar and Sweets	35.4	(3.2)	11.6	2.0
Sugar	49.6	(14.5)	4.8	4.6
Vegatables	7.5	22.3	36.0	(2.0)
Fresh Vegetables	8.6	26.1	48.9	(4.2)
Fruits and Juices	4.2	4.4	1.6	(2.9)
Fresh Fruit	4.1	(6.5)	(7.8)	(8.0)
Beverages	0.8	(5.5)	(3.3)	0.1
Dairy Products	12.1	6.8	8.8	(0.2)
Fats and Oils	6.4	3.2	3.9	(0.8)
NRA Food Cost Index	**5.0%**	**6.5%**	**6.3%**	**+0.6%**
All Food, Producer Price Index[1]	**8.0%**	**6.1%**	**7.7%**	**+0.7%**

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA.

MARKET RESEARCH GROUP TO MEET AND DISCUSS RESEARCH TECHNIQUES FOR MENU DEVELOPMENT

The National Restaurant Association's Market Research Study Group, a special group of NRA members who are interested in exchanging information on research techniques and learning about new methodologies, announces that its Fall 1981 meeting will be held in New Orleans from September 23 through September 25. The group is scheduled to meet at the beautiful Royal Sonesta Hotel located in the heart of New Orleans' French Quarter.

The Fall meeting will focus on research techniques used in menu development and product testing, and the program and top ranked speakers promise to be excellent. A preview of the sessions include:

- Developing ideas for new products and changing existing products
- Product testing techniques
  —taste tests
  —price testing
  —image tests
- Follow-up research—how to measure progress after introducing a new product
- Case study—report from a major chain on successful product introduction
- Panel discussion—share your experiences and learn from others

Final agenda information, registration and reservation forms for this exciting meeting will be mailed soon to members and those who expressed interest in this group via a registration form included in the May *Foodservice Trends*. Other NRA members who would like to receive additional information on this meeting can do so by contacting NRA's Research and Information Services Department, 311 First Street, N.W., Washington, D.C. 20001 or call (202) 638-6100.

Industry Index

RETAIL SALES (000,000)	June 1981	Percent Change vs. June Year Ago	Year to Date Sales 1981	Percent Change vs. Year Ago
All Retailers	$86,788	+12.2%	$496,088	+10.5%
Eating & Drinking Places	$ 8,375	+12.0%	$ 46,212	+11.1%
Food Stores	$19,716	+11.8%	$114,914	+ 9.9%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

EATING PLACE INDICATORS (000,000)	May 1981	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$7,376	+11.7%	$33,305	+10.8

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (May)	(+2.7%)	(+1.2%)

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

CONSUMER PRICES (June)	Percent Change vs. May Year Ago	Percent Change 1981 to Date vs. Year Ago
Food at Home	+ 8.3%	+ 9.6%
Food Away from Home	+ 9.0%	+ 9.6%
All Items Less Food	+ 9.7%	+10.7%

(Source: Bureau of Labor Statistics.)

EMPLOYMENT AND EARNINGS	April 1981	Percent Change vs. Year Ago
Total Employment	4,962.1	+4.0%
Nonsupervisory Employment	4,574.5	+4.0%
Nonsupervisory Average Hourly Earnings	$3.91	+7.0%
Average Weekly Hours	25.8	NC

(Source: Bureau of Labor Statistics.)

NRA FOODSERVICE TRENDS

BULK RATE
U.S. POSTAGE PAID
WASHINGTON, D.C. 20013
PERMIT #1482

National Restaurant Association
311 First Street, N.W.
Washington, D.C. 20001
(202) 638-6100

Chicago Office
One IBM Plaza, Suite 2600
Chicago, Illinois 60611
(312) 787-2525

NATIONAL RESTAURANT ASSOCIATION

FOODSERVICE TRENDS

A Supplement to the Washington Report
September 4, 1981

analysis and interpretation
- the industry
- the market
- consumer behavior and attitudes

NRA NEEDS YOUR COOPERATION

Do you wonder how much top executives and managers receive in salary and other benefits at companies similar to your own? Is your benefit package competitive with others in the industry? The answers to these questions and more will be available from a new executive compensation and benefit study the NRA is conducting in cooperation with the accounting firm, Laventhol & Horwath. We urge each NRA Key member to participate in the study by completing the survey that will be mailed in mid-September and returning it to Laventhol & Horwath. Information you submit will be used only in arriving at totals for the report and will be kept in strictest confidence.

The type of operations included in the new study are Full Menu, Tableservice; Limited Menu, Tableservice; Limited Menu, Fast Food; Cafeterias; Coffee Shops and diversified companies. A wide variety of important information will be summarized for top executives and managers at the Central Office, Regional and Unit levels regarding:

- base salary
- bonus and/or incentives
- profit sharing
- total compensation
- other benefits such as stock options, medical and insurance benefits and entertainment allowances
- estimated cost of all benefits

Also, compensation for each executive position will be available by:

- type of organization
- ownership
- type of restaurant
- geographic scope of operations
- sales volume

The 1979 *Executive Compensation And Benefits In The Foodservice Industry* has been a valuable tool for restaurant operators providing them with an objective review and analysis of executive compensation packages. NRA's new survey will update the 1979 study, however, without your help this study will not be possible. Again, we urge each NRA Key member to take the time to fill out the survey and return it to Laventhol & Horwath.

WHOLESALE FOOD COSTS INCREASE IN JULY

Wholesale food costs for restaurant operators increased 0.9 percent in July from the month earlier, according to NRA's Food Cost Index. In comparison, overall wholesale food costs increased 1.3 percent in the same one month period. A decline in prices for fish and shellfish, sugar and fresh vegetables along with a moderate advance in pork prices, helped to moderate the rise in food costs for restaurant operators in July.

In the first seven months of this year, overall wholesale food costs have increased at a faster rate than food costs for restaurant operators. The Bureau of Labor Statistics All Food, Producer Price Index averaged 7.1 percent higher in the first seven months of this year compared to a gain of only 5.8 percent for food costs for restaurant operators.

Wholesale food prices are expected to continue to rise throughout 1981 due primarily to smaller supplies of red meat and pork in particular. Despite the infestation of the Mediterranean fruit fly in California, USDA economists still predict it will have little or no effect on prices and supplies of fruits and vegetables. Prices for fresh fruits have averaged 8.2 percent below year earlier levels during the first seven months of 1981. This is attributed, in part, to a drop in consumer demand as many may be afraid they are purchasing infested fruit.

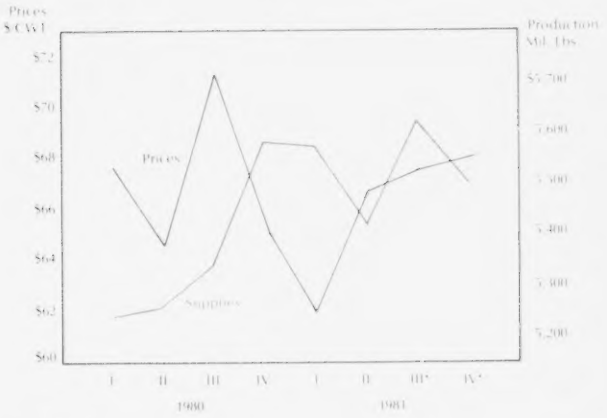
In the following paragraphs of this report, we have briefly reviewed the short term outlook for beef, pork, chicken, eggs, vegetables, fruit and coffee.

BEEF: Beef production increased 3 percent in the second quarter of 1981 from the same period a year earlier due to higher slaughter of both grain fed and grass fed cattle. Production is expected to increase in the third quarter (July, August, September) as well, up 4 percent from the year earlier. Production in the last three

months of the year is expected to decline almost 1.5 percent from a year ago, however. Recent rains have improved grazing conditions and producers have opted to keep their animals feeding on grass rather than sending them to market.

Prices of Choice, grain fed steers are expected to average $66 to $68 per hundredweight in the summer quarter, a decrease of 5 percent from the year earlier. The drop in prices is attributed to larger beef supplies and to the slowdown in the economy. Fall prices are forecast to strengthen somewhat to $67 to $71 per hundredweight, a gain of 5.3 percent from the year earlier, as fewer cattle are expected to go to market.

Beef Prices and Supplies, 1980-1981



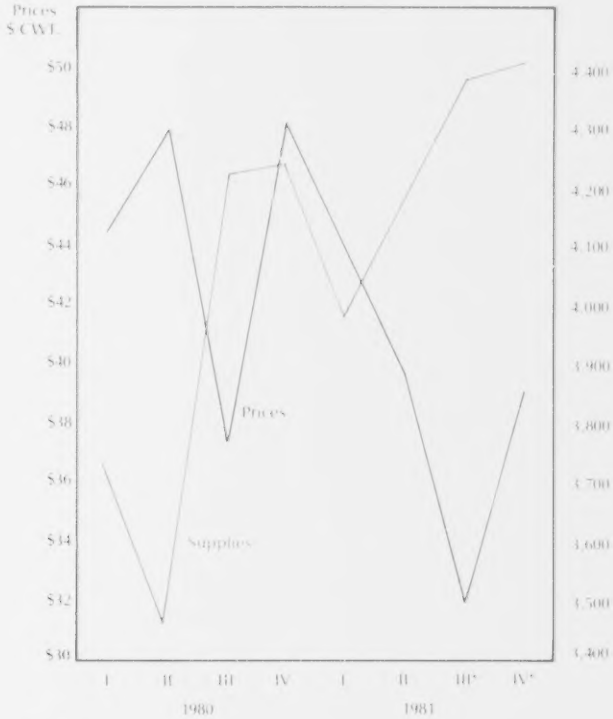
*FORECAST

SOURCE: U.S. Department of Agriculture

PORK: Commercial hog production declined 10 percent in the second quarter from a year ago as a result of seasonal factors and smaller hog inventories. Summer quarter production is forecast to drop 7 percent from year earlier levels. Last summer's output figures are somewhat distorted, however, as above normal temperatures reduced daily weight gains causing production to drop considerably. Fall quarter output is projected to decrease almost 10 percent from a year ago. USDA economists predict output of pork to continue to decline in the first half of 1982 provided producers reduce their June through November farrowing as indicated earlier in the year.

Hog prices strengthened considerably in the April through June quarter, up 40 percent from the year earlier. Prices are expected to remain strong throughout 1981, averaging $48 to $51 per hundredweight in the third quarter, an increase of 7 percent from the year earlier. Prices in the fourth quarter are expected to remain in the $48 to $51 range, averaging 8 percent above year earlier levels.

Pork Prices and Supplies, 1980-1981



*FORECAST

SOURCE: U.S. Department of Agriculture

NRA FOODSERVICE TRENDS

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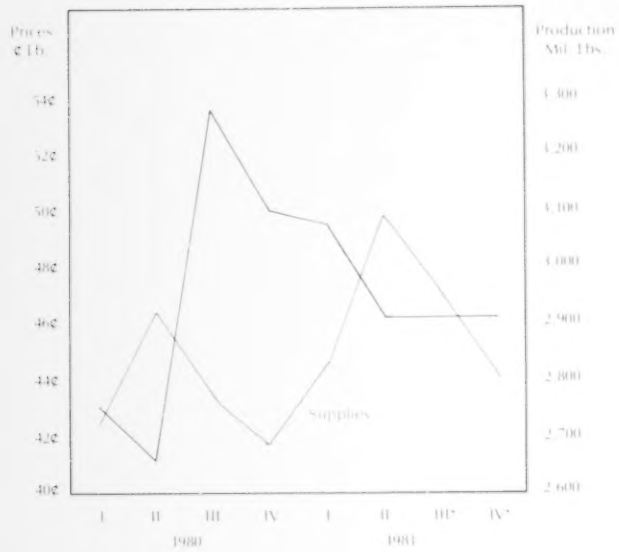
Chicken Prices and Supplies 1980-1981



*FORECAST

SOURCE: U.S. Department of Agriculture

CHICKEN: Chicken output increased 6 percent in the second quarter from the same period in the prior year. Production is expected to advance 7 percent in the July-August-September period from the prior year when output was below normal as a result of the drought. Output in the final three months is expected to rise as well, up 4 percent from the year ago; however, it will be 5 percent lower than the previous quarter's production.

Chicken prices averaged 46 cents per pound in the second quarter, an increase of 12 percent from the same period in 1980. Prices are expected to strengthen from a low of 46 cents per pound in the second quarter to 49 to 51 cents per pound in the last half of the year because of reduced supplies of red meats, particularly pork.

EGGS: Egg production equalled year earlier levels in the second quarter of this year and is expected to remain close to year earlier levels throughout the remainder of 1981.

Egg prices strengthened considerably in the second quarter, rising to 69 cents per dozen from 57 cents per dozen in the same period last year. Prices are expected to continue strong into the third and fourth quarters, ranging from 72 to 74 cents per dozen and 74 to 77 cents per dozen, respectively.

VEGETABLES: Wholesale prices for fresh vegetables were 45.5 percent higher in the first seven months of this year compared to the same period in 1980 primarily the result of the damaging January freeze in Florida and smaller crops. Prices have been declining in the past several months, however, due to seasonally increased supplies. Wholesale prices declined 0.3 percent in July from the month earlier and are expected to drop slightly in August as well.

Growers and producers of the major processing vegetables planned a 4 percent reduction in planted acreage this year, and if crop yields are average, tonnage will be approximately 10 percent smaller than last year. These reduced supplies will put upward pressure on prices, and increased costs for marketing and processing will cause prices of most canned vegetables to be moderately higher than a year ago.

Commodity Price Index

COMMODITY	1979-1980	Percent Change July '80-July '81	7 Mos. '80-7 Mos. '81	June '81-July '81
Bakery Products	11.7%	8.4%	8.7%	0.4%
Flour and Cereal	12.3	9.8	10.2	0.4
Beef and Veal	3.2	(4.3)	(3.1)	2.2
Other Meats	(2.7)	12.3	15.1	3.5
Pork	(4.0)	18.3	19.4	3.8
Poultry and Eggs	1.0	NC	13.1	3.5
Poultry	2.5	(4.8)	12.3	2.6
Eggs	(2.8)	16.2	15.1	6.0
Fish and Shellfish	(3.2)	5.1	0.6	(1.0)
Sugar and Sweets	35.4	(4.0)	9.2	(1.5)
Sugar	49.6	(16.3)	1.9	(2.8)
Vegetables	7.5	20.9	33.6	0.2
Fresh Vegetables	8.6	23.8	45.5	(0.3)
Fruits and Juices	4.2	1.9	1.6	2.5
Fresh Fruit	4.1	(10.5)	(8.2)	6.9
Beverages	0.8	(2.3)	(3.4)	NC
Dairy Products	12.1	4.9	8.5	NC
Fats and Oils	6.4	NC	3.9	1.6
NRA Food Cost Index	**5.0%**	**3.4%**	**5.8%**	**0.9%**
All Food, Producer Price Index[1]	**8.0%**	**4.1%**	**7.1%**	**1.3%**

[1]Includes all processed foods (except soft drinks, alcoholic beverages and animal feeds) plus eggs and fresh and dried fruits and vegetables.

SOURCES: *Producer Price Index*, Bureau of Labor Statistics; NRA

FRUIT: Fresh fruit prices averaged 8.2 percent lower in the first seven months of 1981 compared to the year earlier period. Prices increased 6.9 percent in July from the month earlier, however, due to smaller crop yields,

and prices are expected to remain higher as a result of this.

Noncitrus fruit production was estimated to be 13 percent lower than last year's crop, although record crops of plums and nectarines are possible. They may rise 4 percent and 13 percent respectively over last years, crop. As mentioned earlier, the infestation of California crops by the Mediterranean fruit fly is not expected to have any affect on overall prices and supplies of fruit. Most of the summer fruit such as cherries, nectarines, peaches and plums had already been picked and was not infested by the fruit fly. The citrus crop is not expected to be affected by the infestation either. The 1981 apple crop is forecast to decline 9 percent from a year ago, and peach and pear crops are expected to fall 5 percent and 6 percent, respectively, from year earlier levels.

COFFEE: The recent freeze in Brazil is not expected to have much of an impact on coffee prices and supplies, according to USDA economist Fred Gray. Early reports indicate that the freeze was particularly severe in the region of Parna, where only a small percentage of Brazilian coffee is grown. Following the devastating freeze in 1975, farmers began planting trees closer to the equator in an effort to protect them from a potentially damaging freeze, and this may have helped mitigate damage from the recent bad weather. If the impact of the freeze is more severe than early reports have indicated, current large coffee supplies will help offset any price increases that could result.

Retail prices of processed coffee have been falling in recent months. The average price of a one pound can of roasted coffee fell almost 9 percent from $2.78 in January to $2.54 in May. USDA economists estimate retail prices will hold near $2.50 per pound for the remainder of 1981.

Industry Index

RETAIL SALES (000,000)	July 1981	Percent Change vs. July Year Ago	Year to Date Sales 1981	Percent Change vs. Year Ago
All Retailers	$89,615	+12.2%	$586,439	+10.9%
Eating & Drinking Places	$ 8,477	+11.0%	$ 54,483	+10.6%
Food Stores	$20,996	+12.6%	$135,953	+10.4%

(Source: Bureau of Census, unadjusted data. Subject to revision.)

CONSUMER PRICES (July)	Percent Change vs. July Year Ago	Percent Change 1981 to Date vs. Year Ago
Food at Home	+ 8.0%	+ 9.4%
Food Away from Home	+ 9.2%	+ 9.5%
All Items Less Food	+11.3%	+10.8%

(Source: Bureau of Labor Statistics.)

EATING PLACE INDICATORS (000,000)	June 1981	Percent Change vs. Year Ago	Year to Date Sales	Percent Change vs. Year Ago
Eating Place Sales	$7,223	+ 9.4%	$40,504	+10.5%

	Percent Change vs. Year Ago	Percent Change Year to Date vs. Year Ago
Real Eating Place Sales (June)	+0.4%	+0.9%

(Sources: Bureau of Census, Bureau of Labor Statistics, NRA calculations. Subject to revision.)

EMPLOYMENT AND EARNINGS	June 1981	Percent Change vs. Year Ago
Total Employment	4,924.1	+3.4%
Nonsupervisory Employment	4,543.4	+4.9%
Nonsupervisory Average Hourly Earnings	$3.93	+6.8%
Average Weekly Hours	26.3	(0.8%)

(Source: Bureau of Labor Statistics.)

Look For Us in New Publication in October

This is just a reminder to our readers that "Foodservice Trends" will be included in the National Restaurant Association's new publication, *NRA News*, in October. The information we currently publish, including CREST data, wholesale prices and supplies, consumer trends and reports on the overall state of the industry, will be in the new publication. The "Foodservice Trends" section will be easily identifiable, and often readers will be able to find other distinctive feature articles and legislative stories which will be related to the economic and statistical data presented in "Foodservice Trends."

The 12-page section of "Foodservice Trends" in the October issue of *NRA News* will include an article on changes in the types of menu items consumers are ordering as they have become more aware of the relationship between diet and health. Also, new industry information will be presented from the results of a recent NRA/CREST study on the demographics of menu items ordered.